

Exhibit O

1

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
CIVIL NO. 97-3496

ORIGINAL

WALSH SECURITIES, INC., :
Plaintiff, : DEPOSITION UPON
: ORAL EXAMINATION
-vs- : OF
CRISTO PROPERTY MANAGEMENT, : ANTHONY J. D'APOLITO
LTD., et al., :
Defendants, :
-and- :
COMMONWEALTH LAND TITLE :
INSURANCE COMPANY, :
Defendant/Third Party :
Plaintiff, :
-vs- :
ROBERT WALSH and :
ELIZABETH ANN DE MOLA, :
Third-Party :
Defendants. :

T R A N S C R I P T of the
stenographic notes of STANLEY B. RIZMAN, a Notary
Public and Certified Shorthand Reporter of the State
of New Jersey, Certificate No. XI00304, taken at
the offices of Boise, Schiller & Flexner, LLP,
150 John F. Kennedy Parkway, Short Hills, New
Jersey, on Wednesday, January 17, 2007, commencing
at 9:45 a.m.

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1 A p p e a r a n c e s :

2 BOIES, SCHILLER & FLEXNER, LLP
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3 Short Hills, New Jersey 07078
4 BY: ROBERT A. MAGNANINI, ESQ., and
4 AMY WALKER WAGNER, ESQ.

5 For the Plaintiff

6 MC CARTER & ENGLISH, LLP
7 Four Gateway Center
7 Newark, New Jersey 07102-0652
8 BY: DAVID R. KOTT, ESQ.

9 For Commonwealth Land Title Insurance Company

10 FOX, ROTHSCHILD, O'BRIEN & FRANKEL, ESQS.

11 2000 Market Street
11 Philadelphia, Pennsylvania 12103

12 BY: EDWARD J. HAYES, ESQ.

13 For Nations Title Insurance and
14 Fidelity National Title Insurance

15 METHFESSEL & WERBEL, ESQS.

16 Three Ethel Road
17 Suite 300
18 Edison, New Jersey 08818
19 BY: MARTIN R. MC GOWAN, ESQ.

20 For Coastal Title Agency

21

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24

25

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1 Who knows? Maybe you can get make a deal with Rob.

2 They sat down and they talked.

3 It ended up being that Skowrenski was
4 getting paid from Kane a half a point out of the
5 proceeds on every loan besides what Skowrenski made
6 on the loans.

7 Q Explain what that means.

8 A If there was a \$100,000 loan, he was
9 getting \$500. If it was a \$200,000 loan he would
10 get paid cash a thousand dollars. However amount of
11 loans -- he would do all the paperwork and
12 everything would come in from Kane. Then Rob would
13 take all the paperwork and put it all together in
14 the package the way it needed to be.

15 Q To go to Walsh?

16 A To go to Walsh. He would either FedEx
17 them. Or if I was heading up there that day, he
18 would give them to me and I would bring up the loans
19 and give them to Kellie O'Neill, who was the
20 processor for National Home Funding working for
21 Walsh. They had processors and they had
22 underwriters. So the processors worked directly
23 with the mortgage companies telling them what
24 paperwork they had, what paperwork they needed, what
25 was missing or if it was a full package and it went

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1 to Underwriting.

2 Q I think you had said -- but you correct
3 me if I'm wrong -- that Skowrenski was paid in cash
4 a half a point for any loans that Kane brought to
5 him?

6 A Yeah.

7 Q Is there something not kosher about
8 that?

9 A I mean -- ethically?

10 Q Yes.

11 A Yes. But, you know, is it against the
12 law to pay somebody to give them -- that is doing
13 your loans?

14 No. Knowing what was going on, yeah,
15 it was unethical.

16 Q Why do you say that?

17 A Because those loans were coming
18 through. He was paying an extra fee.

19 To me -- excuse the phrase, but there
20 is a nigger in the wood pile. You don't do that.

21 I would say something. They would say:
22 What do you care? We're giving you \$500 a loan to
23 go carry them up there.

24 I said, "You know what? You're right.
25 I'm starting the corporation. I want you to pay

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1 that. Because I'm going to make it legal. At least
2 the money will be legal. If you want to pay me \$500
3 to carry a loan up, there is nothing wrong with
4 that."

5 At least, that is how I looked at it.

6 But I went away for two years for doing that.

7 Q Why would Mr. Kane pay Mr. Skowrenski
8 an extra half point that presumably he would not
9 need to pay to Selective?

10 A Because he was making up leases.

11 People didn't live in those houses. He just made
12 them up and gave it to them. It was a complete
13 fraud.

14 Q Was Skowrenski aware it was complete
15 fraud?

16 A Without a doubt.

17 Q Why do you say that?

18 A I was there. He knew it.

19 I never said anything to the government
20 when they questioned me because I thought he was my
21 friend, but he buried me.

22 MR. MC GOWAN: In other words, what
23 you're saying is this \$500 extra that Skowrenski got
24 from Kane was basically payment for services
25 rendered by Skowrenski in phonying up the leases,

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1 MR. MAGNANINI: You mean at the time
2 the loans were made, David?

3 A Put it this way.

4 You would have him on top as the
5 corporation but he never had any decision on what
6 was being done with the loans. It all went through
7 either Paul or Betty Ann. A lot of these loans
8 Betty Ann would just go and sign off on.

9 Q Was Betty Ann an underwriter?

10 A No. She was a salesperson. She looked
11 at it from the sales aspect. But because, you know,
12 she was who she was, you know.

13 As long as she signed off on it, then
14 it was fine because she was Betty Ann DeMola,
15 Robert's sister. She wouldn't even tell Robert any
16 of the stuff. She would just do it on her own.

17 Q Did you mean in your last answer that
18 because Betty Ann DeMola was the sister of the
19 President of the company, that if she wanted to do
20 something the other employees would not complain
21 about it?

22 A Yeah. They wouldn't question her at
23 all.

24 Q In one of your answers you said -- I'm
25 going to paraphrase. This is not an exact phrase,

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1 "Betty Ann knew what was going on."

2 What do you mean by that?

3 A I told her. I told Betty Ann. Listen,
4 I live down the Shore. These properties aren't
5 worth what they're worth. They're not worth --
6 they're not worth as much as what they're saying
7 they're worth. The appraisals are wrong. You got
8 to look into this.

9 And she told me to shut up. She didn't
10 care.

11 So I did. I figured I told her. She
12 would never tell her brothers. You know, that is
13 how she was.

14 Q Did you also tell Betty Ann that there
15 were phony leases and phony paperwork in connection
16 with the loans?

17 A Betty Ann knew everything. She met
18 with Bill Kane without me.

19 Q In lawsuits we sometimes need to know
20 what you know and how you know it.

21 A Do I know?

22 Yes.

23 Can I prove it all?

24 Probably not.

25 Q Did Betty Ann know about the leases,

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1 the phony leases?

2 A I believe she did.

3 Q How do you know that Betty Ann knew
4 about the phony leases?

5 A We talked about it.

6 Q Okay.

7 A She used to say "Just get the leases."

8 Q Did Betty Ann know that other paperwork
9 in connection with the loans we're talking in this
10 case was false or fraudulent?

11 A She knew about the escrow letters.

12 Q She knew they were false and
13 fraudulent?

14 A She didn't care. Yes.

15 Q Do you know that Betty Ann knew that
16 the escrow letters were false or fraudulent because
17 you and Betty Ann talked about it?

18 A Because her and Bill Kane talked about
19 it and I was present.

20 Q You heard her talk about it?

21 A Yes.

22 Q Some of these loans, as I understand
23 the transactions, Cristo would purchase the loans
24 and then sell them -- I'm sorry.

25 A Purchase the house.

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1 Q Cristo would purchase the house and
2 then sell the house to somebody who had a joint
3 venture agreement with Capital Assets and
4 immediately assigned the property to Capital Assets?

5 A You want me to explain the whole
6 process?

7 Q Yes. While you explain it, then I'm
8 going to ask you whether Betty Ann DeMola was aware
9 of that.

10 A All right.

11 First, the answer to that question is
12 yes.. Betty Ann knew exactly what was happening.

13 Q Okay.

14 A Cristo Property Management would buy a
15 property -- go in contract to buy it.

16 In turn, they would buy it real cheap,
17 sell it to -- they wouldn't sell it. What they
18 would do is they would find investors that Capital
19 Assets had found with excellent credit and they
20 would -- you're allowed to have up to four
21 mortgages. So they would get somebody and pay them
22 \$2,000 per mortgage. So they would get \$8,000 to
23 sign the mortgage papers and be responsible.

24 These people were fully aware of
25 everything that was going on. They knew they were

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1 just signing the houses. Cristo would buy them.

2 Sell them to these people.

3 These people, in turn, would assign the
4 deed for a dollar to Capital Assets for them to
5 maintain the property.

6 Basically, they were as you would call
7 "straw buyers." But they knew -- the people knew
8 what was going on, they were well aware of it. They
9 wanted their money. They knew they were just
10 selling their credit for money. Basically, Capital
11 Assets would then manage the property, rent them
12 out, make the mortgage payments and do everything.

13 Q What you just described, was Betty Ann
14 DeMola aware of that?

15 A Yes.

16 Q Was she aware of that because you and
17 she had discussed it?

18 A She was aware of it because I was
19 present when her and Billy Kane had discussed it.

20 Q Were these discussions before all of
21 this became public in the newspaper?

22 A Yes. Basically, what would happen is
23 if Bill Kane bought a house, say, for 40,000 just to
24 use an example, sold it to this person, here, for
25 100,000, he would pay an appraiser \$1500, which was

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1 more than what an appraiser on a single-family would
2 chose to appraise the property for 100,000.

3 Now, in the beginning the properties
4 were worth it and they were fixed up and done. But
5 what happened was they got greedy. They wanted to
6 close 30 houses a month. Well, you can't get all
7 those houses fixed up in time. They were fixing up
8 the front and fixing up the back.

9 Betty Ann got it clear they wouldn't
10 have to take individual -- pictures of the interior.
11 So they didn't know if people lived there or not.
12 That was it.

13 So they got a house that is worth 100
14 but the sides and the inside were gutted. Then they
15 would take that money. He would get his 40. They
16 had \$40,000 left. They would give you 2,000 for
17 that mortgage that you took out and the rest of the
18 money would go into fixing up the house.

19 But what happened was when she started
20 doing so many, they were running out of money and
21 the mortgage payments at that time were on like all
22 those properties like \$250,000 a month. After a
23 while it's going to all come crumbling down.

24 Q What incentive would Betty Ann DeMola
25 have to be aware this was going on and allow it to

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1 go on?

2 A She was getting pressure from Robert, I
3 believe, you know, just like in any sales company.
4 You got to have the numbers. You got to have the
5 numbers. You got to get the numbers. Betty Ann was
6 getting numbers. She didn't care how she would get
7 them. Didn't think anything of it. Thinking
8 anything would ever go wrong. But, you know, it
9 did.

10 Q At the time the straw borrowers or
11 straw purchasers were allowing their credit to be
12 used, did you think that was improper?

13 A Did I think it was improper? No.
14 Because there is investors all the time. Then there
15 is management companies.

16 I mean, then you also have rights where
17 they put them on the Stock Exchange. Basically,
18 that part of it is not, I believe, illegal. They
19 weren't saying they were owner occupied. They were
20 saying they were investment properties, REITs. Part
21 of it is not bad.

22 To pay somebody for it? You know, to
23 me, I don't think it is bad. To you, you may not
24 think it is. But, you know, you may.

25 If somebody came to you and said:

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1 just sit -- Betty Ann would say, "Use that phone
2 there."

3 I think he even may have used the phone
4 in Betty Ann's office once.

5 Q Why would Kane bring up loans on his
6 own as opposed to them coming through National Home
7 Funding?

8 A He wanted to get them done quick.
9 That's what I was telling you before. Greed. They
10 just wanted to keep closing loans.

11 "I need the money. I need the money."

12 Q Did Kane, to your knowledge, ever meet
13 with Jim Walsh?

14 A Did they meet in a meeting?

15 I believe that one time when Billy came
16 up and Gary came up, we were in a conference room
17 with Betty Ann and Paul Del Rosso -- they were
18 talking. Robert came in but basically came in to
19 meet the people that would send him loans and walked
20 out.

21 Jimmy was in there brief. Maybe 10 or
22 15 minutes. But other than that, not that I'm aware
23 of.

24 Q What was the purpose of the meeting you
25 just described?

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1 A Betty Ann wanted them to come up
2 because I think she felt the heat. The shit was
3 going to hit the fan. Because when both brothers
4 were out, I remember her saying something about I
5 think that the investor was going to come down and
6 start looking at some of the properties. So she
7 told them to go buy cheap blinds and put them up in
8 the windows and make the houses look like they're
9 lived in.

10 Q The investor you're talking about, is
11 that Greenwich Capital?

12 A Yes.

13 Q Was the purpose of the meeting that
14 Betty Ann had with Kane and with Grieser to talk
15 about Greenwich Capital coming down to look at some
16 of the houses?

17 A Yes.

18 Q At that meeting were you present?

19 A Yes.

20 Q Did Betty Ann instruct Grieser or Kane
21 or both to have the houses looked lived in when they
22 weren't, in fact, lived in?

23 A Yes.

24 Q Was the point of that so that way the
25 investor, which was Greenwich Capital, would think

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1 that the houses were lived in when, in fact, they
2 were not lived in?

3 A Yes. They were doing a ride-by. They
4 weren't knocking on doors. They were just riding
5 by.

6 Q Wasn't that conduct by Betty Ann
7 improper?

8 A Oh, yes. Definitely.

9 Q Wasn't it fraudulent?

10 A Without a doubt.

11 MR. MAGNANINI: I object to the form.

12 Q That is one meeting that Kane had with
13 Betty Ann. Are you aware of other meetings Kane had
14 with Betty Ann?

15 A There were other meetings, but I wasn't
16 present. They have gone to lunch.

17 Q Do you know the subject of the
18 meetings?

19 A No.

20 Q Are you aware of any other meetings
21 that Gary Grieser had with Betty Ann?

22 A No. Billy was more the guy that would
23 meet with her.

24 There was one time I went to Cristo
25 Property because they had loan documents ready to be

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1 "If he doesn't make his payment" -- I passed the
2 word on. "You do not make your payment, she's not
3 doing it."

4 He said, "I'm not doing it, then, if
5 you'll not close any loans."

6 Q Did Grieser or Kane tell Betty Ann in
7 this meeting if Walsh stopped funding then -- that
8 is, stopped making the mortgage loans -- she would
9 stop making mortgage payments?

10 A Grieser told Betty Ann.

11 Q What did Betty Ann say?

12 A She panicked. She said, I'll take care
13 of it. I'll take care of it. We can still do
14 loans. Give me to the end of the day."

15 That is when she told them to make the
16 houses look livable. Then, I guess, she sweet
17 talked Robert and, I guess, she lied to them and
18 said they'll make the payments.

19 I guess like another five loans went
20 through. They were happy, pacified and the payment
21 came up.

22 Q After the meeting that you described,
23 Walsh, with the approval of Robert Walsh, funded
24 five more loans to what I'll call "Kane-Grieser"?

25 A Yes. Because a payment was coming or

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1 Q With respect to the loans we're talking
2 about in this case. Was Anna the underwriter?

3 A Yes.

4 Q What is Anna's last name?

5 A I have no idea. I don't remember.

6 Q Did Anna -- withdrawn.

7 Are you aware of a company called
8 Resource Bankshares, a South Carolina company that
9 was going to take over?

10 A That was going to take over our
11 company?

12 Yes.

13 Q Was that going on while you were still
14 employed by Walsh?

15 A Oh, yeah. As a matter of fact, I got,
16 as being their top salesman -- Paul Del Rosso. I
17 guess Betty Ann put the word in for us.

18 It was Betty Ann, Paul Del Rosso,
19 myself and I believe Betty Ann's two-son-in laws,
20 who were the other two sales reps. We were getting
21 shares in the stock. I never got them. We were
22 supposed to get -- when it went through, we were
23 supposed to get -- I was getting \$150,000 in shares,
24 then another \$300,000 in stock options. But I never
25 received them. I got fired.

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1 Q Was Betty Ann also getting those?

2 A I believe she was probably getting
3 more.

4 Q Why would you, as an employee of Walsh,
5 get that kind of compensation as a result of the
6 Resource acquisition?

7 A I believe Betty Ann was giving me that.
8 She's the one that got it. Because I was the top
9 sales rep that they had and also because she
10 probably wanted me to keep quiet.

11 MR. KOTT: We'll take a break.

12 (Recess.)

13 BY MR. KOTT:

14 Q Mr. D'Apolito, at some point the fraud
15 became public in the newspapers, is that correct?

16 A Yes.

17 Q Do you know whether Robert Walsh had
18 any knowledge of the frauds before it became public
19 in the newspaper?

20 A No.

21 Q How about Jim Walsh?

22 A No.

23 Q In this lawsuit Walsh Securities has
24 sued a number of appraisers. Some of the ones they
25 have sued are Richard Calanni, Tom Brodo, Roland

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1 A I believe it is correct; that the
2 appraisers were making fraudulent appraisals.

3 Q In what way were the appraisers making
4 fraudulent appraisals?

5 A When they went to take a picture of the
6 house they knew it wasn't complete, but yet they
7 were putting in their appraisal that it was.

8 Q Were you aware of that at the time you
9 were employed at Walsh?

10 A Yeah. I was aware of it.

11 Q Was Betty Ann DeMola aware that the
12 appraisers were putting in false appraisals for the
13 loans that we're talking about in this lawsuit?

14 A Yes.

15 Q How was she aware of that?

16 A She met with them. Even in Walsh.
17 Told them what to do.

18 Q Were you present when that occurred?

19 A Once.

20 Q Tell me what you heard her tell --
21 withdrawn.

22 Tell me what you heard Betty Ann DeMola
23 tell the appraisers to do.

24 A She told them not to take any interior
25 photos because she knew she got it approved, that

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1 they didn't need them. We didn't care what the
2 inside looked like. If there is any work that had
3 to be done, don't mention it.

4 Q Did she explain to them why she was
5 telling them that?

6 A So far as I know, no.

7 MR. KOTT: Off the record.

8 (Discussion off the record.)

9 BY MR. KOTT:

10 Q Do you remember which appraisers were
11 present when you overheard Betty Ann DeMola told
12 that to them?

13 A Yeah. I believe it was DiBenedetto and
14 Brody -- Brodo.

15 Q Putting aside --

16 A In two separate occasions. They
17 weren't together.

18 Q You actually told that to appraisers on
19 two different occasions?

20 A Yes.

21 Q Putting aside what you heard Betty Ann
22 DeMola tell appraisers, did you and Betty Ann DeMola
23 ever discuss the appraisals being phony?

24 A I told her, when I explained before,
25 about the properties not being worth what they were.

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1 Q What was Citiscape?

2 A I believe they were just another
3 investor.

4 Q Meaning that they would be assigned
5 mortgages by Walsh?

6 A Yeah.

7 Q Do you know anything about the
8 Citiscape versus Walsh lawsuit?

9 A No.

10 Q Did Walsh have other loans other than
11 the ones involved in this lawsuit that went into
12 default?

13 A I'm sure they had loans that have gone
14 into default. Any banker would. Which ones? I
15 have no idea.

16 Q Do you know whether the underwriting
17 standards -- withdrawn. Did Walsh have underwriting
18 standards?

19 A Yes.

20 Q Do you know whether the underwriting
21 standards were applied -- withdrawn.

22 Do you know whether the underwriting
23 standards were applied to these loans, the loans in
24 this lawsuit?

25 A I have no idea. But I can tell you

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1 that the underwriting guidelines were designed by
2 Paul Del Rosso and Betty Ann would change them
3 whenever she wanted to make whatever loan she needed
4 to get done fit.

5 Q Are you including loans within this
6 case?

7 A Within this case or any case.

8 Q So Betty Ann would not only change
9 underwriting standards to have a loan get done for
10 the loans in this case but she would do that for
11 loans that were not involved in this lawsuit, is
12 that correct?

13 A Correct.

14 Q Why would she do that? Do you know?

15 A Betty Ann was in sales. She wanted
16 numbers. If she could make a loan she wasn't going
17 to not make it. She would do whatever it took to
18 get a loan done.

19 You know, if a guy said -- the
20 guidelines read they needed three pay stubs but the
21 guy only had one, they wouldn't make the loan wait
22 until we got paid another month. He got paid every
23 week. She would get it done with just the one pay
24 stub. Whatever it was. You know.

25 A loan came in and they said they

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1 needed \$3,000 to fix a bathroom, well, instead of
2 waiting to get the bathroom fixed, maybe she'd
3 escrow \$1500 or 3,000, if the money was there. Like
4 up the loan a little bit and escrow the money and
5 then release it when the work was done. She would
6 do whatever she had to do to make a loan.

7 Q Did Walsh ever close loans or allow
8 loans to be closed before an appraisal was done?

9 A Betty Ann did.

10 Q Why would she have done that?

11 A Because they were Billy's loans.

12 Q Was that in violation of Walsh's
13 procedures?

14 A Without a doubt. She overrode Paul
15 Del Rosso. I mean, I mean asked.

16 I said, "How are you closing this if
17 you don't even know?"

18 She goes --

19 Q Don't even know the appraised value?

20 A She said "Well, I got a verbal."

21 I said, "But what about the condition
22 of the house?"

23 "Don't worry about it.

24 "Okay."

25 I mean, to me it didn't matter because

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1 to either remove from files or put them in. Do you
2 remember anything about that?

3 A Yeah. I remember Kellie telling me.

4 Q Were you present when the file
5 cleansing occurred?

6 A No.

7 Q What did Kellie Ann tell you about it?

8 A Kellie Ann called me and said, "Let's
9 go to lunch."

10 I said, "Sure."

11 "Something's going down, something is
12 wrong because they're coming down to look at files."

13 I said, "Who?"

14 "Greenwich."

15 And Betty Ann just told us to cleanse
16 the files.

17 I said, "What do you mean by "cleanse"
18 them?"

19 "Take stuff out that shouldn't be there
20 and needed stuff to be there that wasn't."

21 Q What were examples of what needed to be
22 there?

23 A If there were escrow letters that we
24 needed. Files that she closed without appraisals.
25 The appraisals had to be there by the time they got

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1 there.

2 So Kellie was calling up the appraisers
3 letting them know.

4 Q Asking the appraisers to send the
5 appraisal?

6 A We needed.

7 Q Kellie would call the appraisers and
8 ask the appraisers to send appraisals for loans that
9 had already been closed?

10 A Yes.

11 Q Did Kellie tell you that Betty Ann was
12 aware of that?

13 A Yeah. Betty Ann instructed her to do
14 it.

15 I also believe Paul Del Rosso knew.

16 Q Why do you believe that?

17 A Because he was in there doing the
18 cleansing.

19 Q How do you know that?

20 A I mean, I was at the office but I
21 wasn't in the conference room.

22 Q You saw Mr. Del Rosso in there?

23 A Yeah.

24 Q Can you think of any legitimate reason
25 to take papers out of mortgage files or put them in

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1 Do you remember telling Judge Wolin
2 that?

3 A I remember that. Was it fraudulent?
4 It was fraudulent in the case that I figured -- I
5 was present. I saw the people sign the documents,
6 but I thought as a Notary it was a conflict of
7 interest for me to sign it as Anthony D'Apolito
8 because I worked for Walsh.

9 So Gary gave me -- his wife was a
10 Notary and Sue wasn't there. It's his ex-wife now.

11 I took it and signed her name and
12 stamped it..

13 Q Was Betty Ann DeMola aware of that;
14 that you were doing that?

15 A I only did it on five loans. Did I
16 tell her? No.

17 Q In your plea before Judge Wolin you
18 told Judge Wolin that Betty Ann DeMola directed
19 underwriters to overlook suspicious loan application
20 documents such as pay stubs and IRS forms, W-2?

21 A Yes.

22 Q Was that before the fraud was made
23 public?

24 A Yes.

25 Q Did Betty Ann tell you why you should

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1 overlook that?

2 A Not me overlook it. The underwriters
3 overlook it.

4 Q I see you're correct.

5 Did Betty Ann say to the underwriters
6 why they should overlook loan application documents
7 that look suspicious?

8 A She didn't have to. She was Betty Ann.
9 She can tell them whatever and they would just do
10 it.

11 Q Explain or give me an example how a pay
12 stub would look suspicious.

13 A If the pay stub looked as if it didn't
14 match what the income needed to be, she would change
15 the loan to a stated income and tell her to overlook
16 the pay stub and get rid of it.

17 Q When you say "stated income," what does
18 that mean?

19 A Like that no-income verification loan.
20 She would pull that out and that was it.

21 Q The same thing as to the W-2 forms?

22 A Yes. Because you wouldn't need them.

23 Q One of the witnesses in depositions
24 talked about at the National Home Funding office
25 cash payments being made to borrowers. Are you

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1 aware of that?

2 A If the borrowers happened to be there,
3 maybe Robbie brought them in. But cash payments
4 were made to every borrower. Everyone got \$2,000 in
5 cash.

6 Q Was that payment made by Skowrenski?

7 A At that point it might have been. The
8 money came from Billy Kane. But if they were
9 friends of Robbie, you know, that he brought them
10 in, yeah, the money would have got transferred to
11 them from Robbie.

12 Q You were in National Home Funding's
13 offices a lot during these events, correct?

14 MR. MAGNANINI: Objection to form.

15 Q I'll withdraw the question.

16 During the time you were employed by
17 Walsh, did you have visits to National Home
18 Funding's office?

19 A Yes.

20 Q Was that on a frequent basis?

21 A Yes. But it wasn't just for business.
22 I was -- you know, like I said, Robbie was going to
23 be my best man. We would go there if I wasn't
24 working. Or if I took the day off to go golfing, I
25 would show up afterwards. Robbie and I would go out

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1 DIRECT EXAMINATION

2 BY MR. HAYES:

3 Q Mr. D'Apolito, who masterminded or
4 created this scheme?

5 A Billy. Billy Kane.

6 Q Do you believe they were using this
7 scheme with other lenders or just with Walsh?

8 A I mean, I believe they were going
9 through Selective, first, with the scheme and were
10 getting loans through, but not as quick as Walsh or
11 Betty Ann was letting them go through. So then it
12 all went in through Betty Ann.

13 Q You indicated -- in response to a
14 question Mr. Kott asked you, you had raised with
15 Betty Ann your concern, being from the area, that
16 the appraisals that had come in were not proper. Is
17 that correct?

18 A Yes.

19 Q And that her comment to you was,
20 basically, shut up?

21 A Yes.

22 Q Did you conclude in your mind from that
23 that she was already aware that there were problems
24 with the appraisals and just didn't want to hear it
25 from you?

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1 A Yes.

2 Q Did you come to learn at some point in
3 time how she became aware that the appraisals were
4 fraudulent?

5 A No. I mean, it would be assumed
6 that -- because she's met with Billy Kane down in
7 his office -- him up in our office more than once,
8 more than a half a dozen times, and met in Betty
9 Ann's office with the doors closed. That's how she
10 would know.

11 Q Do you believe she was aware of the
12 fraud before you were aware of it?

13 A That I couldn't tell.

14 Q Since you were an employee at Walsh,
15 would it be fair to say you were familiar with both
16 the manner in which loans were processed as well as
17 underwritten?

18 A Yes.

19 Q Kellie O'Neill was the processor on all
20 of the bad loans?

21 A Yes.

22 Q To summarize what she would do, would
23 she basically put a package of documents together
24 that would have been necessary in order to make an
25 underwriting decision on the loan?

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1 A Yes. Basically, what she would do
2 is -- the package would already be put together.
3 because every banker or broker that we dealt with
4 had to process the loans to our guidelines.

5 Basically, her job was to look at it
6 and go through to make sure everything was there.
7 If there was a document missing or one document that
8 didn't get signed, she would call the broker or the
9 banker up and tell him that: We're missing this
10 document or we have this document and it's not
11 signed; you're going to have to get it signed.

12 And until then, you know, she would
13 say: Well, you -- I'll send it into Underwriting.
14 If that's all it is after the underwriter checks it,
15 we'll give you a commitment on condition that you
16 get this document to us, this, this and this, prior
17 to us scheduling the closing.

18 Q In the fraudulent loans the package was
19 actually put together by Skowrenski or Kane?

20 A Yes.

21 Q Once they believed it met what Walsh
22 needed, they would forward it on to Kellie O'Neill?

23 A Yes.

24 Q She would check through the package to
25 make sure it met whatever standards existed?

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1 A Yes.

2 Q How would she know what the standards
3 were if Betty Ann DeMola was changing them all the
4 time?

5 A Betty Ann had what the standards were.
6 If she changed it, then there was a memo that went
7 out that said: From now on we can do loans like
8 this, this, and this. That's it.

9 Once it changed, that was it. Unless
10 she changed it again. If there was one that didn't
11 meet the guidelines, they would send it to Betty
12 Ann. Betty Ann would put the signature on it and
13 that was it. It was passed. There were still
14 guidelines they were all going by, but she would
15 make exceptions.

16 Q That was my question.

17 Was she changing the guidelines or was
18 she simply saying although this loan doesn't meet
19 the guidelines --

20 A She would make exceptions on all of
21 them.

22 Q When a loan would go from Kellie
23 O'Neill to -- I believe the woman's name was Anna?

24 A Yes.

25 Q The underwriter. What would she be

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1 looking for?

2 A Just make sure all those documents are
3 there. She was the underwriter. She was the only
4 one that had the approval based on the guidelines to
5 print out a commitment and sign it and send it.
6 She'd give it back to Kellie to fax out to the
7 mortgage banker or broker.

8 Q What documentation existed at Walsh to
9 signify that Anna had approved a package as
10 satisfactory? Was there a checklist?

11 A In the computer. There are underwriter
12 guidelines. A big, huge book.

13 Q I understand that. Was there, for
14 example, a form that said I have reviewed The Loan
15 No. 1, 2, 3 and approve it with a signature by Anna?

16 A Yes.

17 Q So one of those should be in every
18 Walsh loan file?

19 A I would imagine that they are, yes. If
20 not that loan file, in a master file for just the
21 underwriting. If it didn't have Anna's signature on
22 it, it would have Betty Ann's and Anna's. Meaning
23 Betty Ann signed off on it.

24 Q That was my next question.

25 Did Betty Ann have the authority, as

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1 you understood it, to approve loans from an
2 underwriting standpoint?

3 A I would have to say yes.

4 Q Is that because she did?

5 A Yeah.

6 Q Do you know whether or not Robert or
7 James Walsh were aware that Betty Ann was actually
8 approving loans from an underwriting standpoint?

9 A No.

10 Q Once the loan was signed off by someone
11 in Underwriting, they would print out a commitment
12 letter?

13 A Yes.

14 Q The commitment letter would set forth
15 the terms and conditions under which Walsh would
16 make the loan?

17 A Yes.

18 Q At that time would Walsh have any idea
19 where it was ultimately going to dispose of that
20 loan?

21 A No. Like I had said earlier, basically
22 they would take -- after they had 40 million, 10
23 million, whatever, in loans, be it these loans or
24 all the loans, you know, they mixed all the loans
25 together, what they closed in a month, and they put

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1 A I believe they had a few.
2 What they did was they ordered the desk
3 review that Brodo did. They ordered the desk review
4 from Benedetto or from Brown.

5 Q Who did?

6 A Betty Ann. She would tell them who to
7 use. "If you're going to use it, why not use the
8 one that is involved in the appraisal as it is?"

9 I think that's how Roland Pierson
10 actually got involved because he would do review
11 work for Richie Calanni.

12 Q There has been some testimony in this
13 case from other witnesses that Betty Ann instructed
14 the appraisers to use prior deals that Walsh had
15 closed for purposes of picking comparables for new
16 appraisals. In essence, you create your own
17 fraudulent market and then use that market to
18 support subsequent comparables. Do you have any
19 knowledge or were you involved --

20 A Yes.

21 Q Let me finish my question.

22 Were you involved in any conversations
23 where Betty Ann instructed the appraisers as to
24 which comparables to use?

25 A Yes.

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1 Q Go ahead.

2 A Was it ones from this case to comp out
3 the ones from this case?

4 In some cases, yeah. But in other
5 cases, I mean, you could do that legally. Have a
6 file and take a comp from Short Hills to comp out
7 another house in Short Hills.

8 In a lot of cases that she needed desk
9 review and they couldn't get it to match up, they
10 would take it from another appraisal that was from
11 Asbury Park, which was a fraudulent deal, to comp it
12 out.

13 Q You indicated that at some point in
14 time Betty Ann got approval but you didn't need
15 interior pictures on appraisals.

16 MR. KOTT: Got approval or gave
17 approval?

18 Q I thought you said "got approval."

19 That was going to be my question. Who
20 did she get approval from or did she simply give the
21 approval that you didn't need them any more?

22 A To tell you the truth, she would
23 probably -- she couldn't just give it. She would
24 have to get it.

25 Do I have knowledge how she got it?

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1 Even though they will give licenses to
2 anybody like James Brown, who was in jail for a year
3 before he got his license.

4 Q Were the NHF loans treated differently
5 than other loans at Walsh?

6 MR. MAGNANINI: Objection to form.

7 A Were they treated any differently?
8 They were written to the guidelines that Betty Ann
9 created if she needed to make exceptions. But Betty
10 Ann would make exceptions on any loan. The only
11 thing that was different about them is Betty Ann
12 knew about them. But as far as being treated any
13 different, I don't think they were treated
14 different.

15 Q So you are aware of circumstances where
16 Betty Ann changed the guidelines on non-Kane NHF
17 loans, also, just to get the loans in and done?

18 A Oh, yeah.

19 Q Were other loans being closed as
20 quickly as the NHF loans were being closed?

21 A I would have to say no. Only because
22 any time an NHF loan came in it also got risen to
23 the top, the cream.

24 Q What was the typical -- strike that.

25 Was there a normal time period that it

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1 A F T E R N O O N S E S S I O N
2

3 A N T H O N Y J. D ' A P O L I T O ,
4 resumes.

5 BY MR. HAYES:

6 Q Mr. D'Apolito, on the non-NHF or the
7 non fraud loans, was there an average turnaround
8 time for a loan coming in and then being closed at
9 Walsh?

10 A Three to five days.

11 Q Was the time period any different for
12 the NHF loans?

13 A More on the lower side. Three. Toward
14 the end of the month any loan could close in a day.
15 She needed to make her numbers and she would do it.
16 All processed, underwritten and closed in one day.

17 Q When you first became employed by
18 Walsh, approximately what volume of business was the
19 company doing a month?

20 A I mean, just in the Jersey accounts.
21 Between the three reps there, four reps that they
22 had, probably maybe like 15 million. But they did
23 operate in other states that, you know, we wouldn't
24 have.

25 Q Let's talk about the Jersey accounts.

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1 that package, also?

2 A Everything is all the same. The only
3 difference between the purchase and the re-fi is on
4 the purchase you'll have a purchase contract in
5 there. But all the appraisals are there and
6 everything.

7 Q Who at Walsh would review a package on
8 a refinance after it closes in order to approve the
9 funds?

10 A The Closing Department.

11 Q Who would that be?

12 A I don't remember their names. It was
13 three women that sat outside of Paul Del Rosso's
14 office.

15 Q Who would actually authorize the
16 funding on a refinance?

17 A They would.

18 Q They had the authority to do that?

19 A Yeah. If everything was there, they
20 knew what they needed, they would authorize it. If
21 they authorized something and there was stuff
22 missing, they would lose their job.

23 Q What, if any, involvement did Ms.
24 DeMola have in the Closing Department?

25 A She would go there and have a loan

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1 funded if, for some reason, something was missing,
2 just say "Get it to me right away." Because she
3 needed to fund it for her numbers.

4 Q Are you aware, Mr. D'Apolito, that the
5 types of transactions that were involved in this
6 case were oft times referred to as a AB
7 transactions?

8 A Are you saying because of the straw
9 buyers where they were having two closings at the
10 same time?

11 Q Yes.

12 A Yes.

13 Q There is an allegation that has been
14 made by Walsh in this case that there were occasions
15 where the B transaction actually closed before the A
16 transaction. Are you aware of occasions on which
17 that happened?

18 A Sure.

19 Q How regularly did that happen?

20 A A lot.

21 Q Was Ms. DeMola aware that the B
22 transactions were closing before the A transactions?

23 A I couldn't tell you if she was or not.
24 I would have to assume she was.

25 Q What would you base that assumption on?

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1 houses. Get them rented and get them going because
2 he wanted to actually keep it all legit.

3 The understanding for the whole thing
4 was they really were going to try to do it and be
5 legitimate, per se, but he just got greedy. They
6 loved the money coming in.

7 Q At some point in time the repairs were
8 not being done?

9 A They couldn't be kept up with. Thirty
10 houses a month. There is no way you can get 30
11 houses fixed up in a short amount of time.

12 Q How did you become aware the repairs
13 were not being performed?

14 A I was there. I knew it all. I was
15 involved with all of them.

16 Q Was Ms. DeMola aware that the homes
17 were not being fixed up?

18 A Without a doubt. Especially her
19 saying, "Go and put blinds on them."

20 Q Did that happen on more than one
21 occasion?

22 A To put the blinds on them?

23 Q Yes.

24 A It happened on more than one occasion.

25 Did she say it on more than one

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1 occasion?

2 I only heard her say it once.

3 You know, did she say it again?

4 I have no idea.

5 As many times, though, Greenwich, if
6 they came down to inspect the property and have
7 somebody ride by it, it was done. If they came once
8 or if they came ten times, I don't know how many
9 times they came.

10 Q Did Ms. O'Neill ever reach out to you
11 to get in touch with Kane or Grieser to make sure
12 places looked lived in?

13 A Yeah. Her and Betty Ann were very,
14 very close. She would be in Betty Ann's office a
15 lot of times with the door closed. Then later on
16 would talk to me.

17 MR. HAYES: That's all I have.

18 Thank you, sir.

19 MR. MC GOWAN: I have a few.

20 DIRECT EXAMINATION

21 BY MR. MC GOWAN:

22 Q Let's go back to National Home Funding.
23 Was it you, I guess, who introduced Mr. Kane to Mr.
24 Skowrenski? Is that right?

25 A Yes.

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1 Q He was also connected in the same sense
2 that Mr. DiNonno was?

3 A Yes. They were shylocks.

4 Q And Skowrenski was a banker but not --
5 he didn't have the full-service license, is that
6 right?

7 A Right. He just needed \$150,000 net
8 worth.

9 Q What that allowed Skowrenski to do was
10 to advertise himself as a mortgage banker but, in
11 fact, he was not a full-service mortgage banker?

12 A No.

13 Q So if I were to walk in to his place
14 looking for a purchase-money mortgage, he could tell
15 me he was a personal-money mortgagor with a license?

16 A Yes.

17 Q But he would have to assign that
18 mortgage off the minute it closed, is that right?

19 A Exactly.

20 Q In connection with these particular
21 deals that were brought into his house by -- what is
22 his name?

23 A Bill Kane.

24 Q Yes. Kane. They were to be assigned
25 to Walsh?

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1 A Yes.

2 Q Because it was not a legitimate deal,
3 right?

4 A Yes.

5 Q What he's getting is another half a
6 point?

7 A Yes.

8 Q Where is he getting that from?

9 A Bill Kane.

10 Q Where is Kane getting that money to
11 give him?

12 A Out of the proceeds of the loan.

13 Q So out of the money that Kane is taking
14 out of that inflated loan, a half a point of that is
15 going back to Skowrenski?

16 A Yes. So is the money going to the
17 borrowers who get \$2,000 per loan that they do. So
18 is the money that the appraisers get \$1500 from --

19 Q Okay.

20 A All of it. The money that came to me.
21 The money that went to Kellie.

22 Q Kellie worked for whom?

23 A Walsh.

24 Q Who is the person that worked for
25 Skowrenski that was involved with some of these

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1 I want to say, you know, all 50 states or maybe
2 minus a couple.

3 Q Do you have any idea -- I don't know
4 that you would, but do you have any idea back
5 before, say, in the months -- the two months or
6 three months before the stuff started to hit the fan
7 and the paper, what percentage of business was New
8 Jersey as opposed to anywhere else? Do you know?

9 A No. I would never be privy to that.

10 Q But Rose was the National Sales
11 Manager, is that right?

12 A Rose a/k/a Betty Ann.

13 Q Betty Ann was the National Sales
14 Manager?

15 A Yes.

16 Q I would assume from that she was
17 responsible for sales nationally?

18 A Without a doubt.

19 Q So she was not only concerned about
20 numbers in New Jersey, she was concerned about
21 numbers everywhere?

22 A Yes. She had more control in New
23 Jersey because she was there. She didn't like to
24 travel too much.

25 Q You have described how she would

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1 sometimes waive underwriting requirements, is that
2 right?

3 A Yes.

4 Q Not only for the files involved in this
5 litigation, but other files as well?

6 A Yes.

7 Q You described sometimes not only just
8 waiving underwriter requirements, she would change
9 the underwriter requirements, is that right?

10 A Well, waive, change. I'm using the
11 words kinds of similar.

12 Q Would that be true for files in other
13 parts of the country, too?

14 A Sure.

15 Q You saw that?

16 A If they had a loan that needed to be
17 closed and it was a broker that she got to be very
18 friendly with, yeah, she would do them a favor every
19 once in awhile but not as much as the ones here.

20 Q Did you ever see Betty Ann have to ask
21 somebody else for permission to make those kinds of
22 waivers or favors, as you've called them?

23 A Yeah.

24 Q On how many occasions did you have to
25 see her ask somebody for permission to do that and

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1 you would see accounts and I would imagine that
2 there are checks -- that Robbie gave Kane money.
3 But he would short the money that was owed to him.
4 Do you understand?

5 Q I think I'm following you.

6 A Put it this way. You're an attorney.
7 You have an escrow account. That money gets funded
8 into your escrow account. On the closing documents
9 it says who gets the money.

10 Well, it has to fund through the
11 mortgage company. So like the points, all that
12 stuff, those fees -- that would get paid to the
13 mortgage company. The money that would go to Kane
14 would be the house that they bought from Cristo
15 Property Management.

16 So the fees that Robbie charged all
17 went to him. Then he would pay back Billy whatever
18 fees that Billy wanted. It was an agreement that
19 they had. Like the appraisal fee went back to
20 Billy. So he would give him a check, you know, for
21 that fee. But all the points he would keep and the
22 half a point that Billy was paying him would all
23 come out of those fees that he got.

24 I believe if there were three points
25 charged on every loan, because that is how Billy had

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1 it, he was letting Robbie keep a half a point of
2 that.

3 Q Of that three?

4 A Of that three. Then there were points
5 on the back end because they up-sold the rates.

6 So Robbie was making half a point from
7 Billy and then he was making the back end points
8 that came from Walsh because, you know, the rate was
9 supposed to be seven percent or eight percent and
10 they took it to ten percent.

11 So Robbie wasn't dumb. He was getting
12 money. He just wasn't being a glutton. Billy's
13 money out of the points he got back minus the half
14 and the back end points he was paying the 2,000 and
15 stuff like that. So this way nobody took money out
16 of their pockets. It all really came from Walsh.

17 Q Which I think is what Mr. Yacker
18 testified at one point. The point of this was to
19 defraud the mortgage banker because they were the
20 ones with the money?

21 A Exactly.

22 Q I'm confused, though, because maybe I
23 have read too much about this case. At least so far
24 as I understood it, the closing attorneys when the
25 money would come to their account -- they would pay

D'Apolito - direct

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1 who were in Walsh reviewing the loans doing due
2 diligence to go into the securities?

3 A No. The only reason I met anybody --
4 Betty Ann grabbed me to meet someone from Greenwich
5 to give them directions from their office down to
6 the shore. He would buy a Hagstrom map to ride by
7 those properties. I told him how to get down 24 --
8 to 78 to the Parkway south. Get off at exit 98 and
9 you're there.

10 Q When you had testified earlier that Ms.
11 DeMola had told you to tell Kane to make the
12 properties look lived in, when was that?

13 A Just before Greenwich came down. She
14 got a phone call knowing they were coming.

15 Q Where were the properties they were
16 going to review? Do you recall?

17 A Long Branch, Asbury. I think mainly
18 there. There may have been a couple in like Hazlet.

19 Q How do you know that?

20 A The Keyport area.

21 Q How do you know that now? Is that
22 because -- I understand ten years have gone by?

23 A No. She told him which properties to
24 go to.

25 Q You do not recall them going to review

D'Apolito - direct

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1 properties in Newark?

2 A No. Not that I know of.

3 Q You had described a meeting at which
4 you, Mr. Grieser, Mr. Kane, I think you said Art.
5 Was his last name Gilgar?

6 A That guy Art. Yes.

7 Q Mr. Gilgar. That Robert Walsh walked
8 into. Do you recall if Mr. Walsh was away prior to
9 that meeting?

10 A No. I wouldn't remember. At least, I
11 know when he came into the meeting he basically came
12 in, introduced himself and walked out.

13 Q Did you stay in the meeting the whole
14 time it went on?

15 A Most of it. Then I stepped out. I
16 don't know what they said after that. Then from
17 there we went to lunch. They asked me to go.

18 The meeting wasn't discussed at lunch.

19 Q Who was the "we"?

20 A Betty Ann, Billy, myself and Gary.

21 Q Do you recall when that meeting was?

22 A It was in the summer sometime.

23 Q It was right before all of this broke?

24 A Right.

25 Q You said that at that meeting Mr.

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1 Grieser had said unless Walsh Securities funded more
2 loans he wouldn't be making payments?

3 A Right. He said he wouldn't be able to.

4 Q Do you know when Capital Assets made
5 the last block of payments on those loans?

6 A It may have been for June.

7 Q How would you know that?

8 A Because I think they started to go in
9 foreclosure and I lost my job in August.

10 Q I thought you lost your job after all
11 this all broke in the beginning of July?

12 A Let me see. You may be right. I
13 bought my house -- I thought I bought the house in
14 August, but it could have been July. All I know is
15 two weeks after I bought it, I was gone. I had no
16 job and they were the ones that held my mortgage on
17 my house.

18 Q Walsh Securities?

19 A Yeah. They gave me the mortgage on the
20 house. I was engaged. Then the shit hit the fan.
21 It may have hit the fan in June, July -- it may have
22 been that. I may have closed at the end of June,
23 then, very beginning of July. Two weeks after that
24 I lost my job. It may have been July.

25 Q You thought Walsh Securities funded a

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1 few more of these loans that were in the pipeline?

2 A I believe they funded like around five
3 of them.

4 Q How do you know that those loans were
5 funded?

6 A They would be on my report. The funded
7 loans.

8 Q When was the last report you got?

9 A June.

10 Q It was the end of June?

11 A Yes.

12 Q You got it like the first couple of
13 days of July?

14 A You get your report of what closed in
15 June. The month prior.

16 Q You said you thought that Robert Walsh
17 approved the closing of these five loans that were
18 in the pipeline?

19 A He approved them based on Betty Ann
20 telling him that, "You know, listen, they're going
21 to make the payment. It was just a
22 misunderstanding. Don't worry about it. I have
23 everything under control" and he trusted his sister.

24 He said, "Listen there are a bunch of
25 loans in the pipeline. Let's close five for the end

D'Apolito - direct

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1 of the month. Make sure the payments come in and
2 then we'll go from there.

3 Q When did Mr. Walsh say this? Was it in
4 that meeting with --

5 A No. He said it after the meeting.

6 When she came back from lunch, she went into his
7 office and talked to them.

8 Q Then?

9 A She came out and said, "You can call
10 Billy and Gary and let them know they can close"
11 this, this, this and this loan.

12 Q Did you ever go to lunch with Betty Ann
13 and Gary Grieser prior to that time?

14 A No. I only remember going to lunch
15 with him once and it was at that meeting. Before
16 that? I don't remember it if I did.

17 Q Yesterday Mr. Grieser testified that
18 you brought him up to Walsh Securities?

19 A I did. I brought him and Billy the day
20 of that meeting.

21 Q He said this was prior to that meeting.
22 He didn't remember the timing. A few days or a week
23 or something. He said you brought him to Walsh
24 Securities to have lunch with Ms. DeMola. She was
25 unavailable. You stopped in and introduced him to

D'Apolito - direct

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1 Q You don't remember a meeting where Mr.
2 Grieser explained he was buying properties, prepping
3 them, getting tenants into them?

4 A No.

5 Q Any of that to Jim Walsh?

6 A No. If it happened, it wasn't when I
7 was there.

8 Q You also testified that Ms. DeMola had
9 told the appraisers not to take interior photos.
10 When did that occur?

11 A Within a couple of months of the loans
12 being done. Right away in the beginning. She was
13 like "We don't need interior photos" because some of
14 the appraisers were getting -- noting that there was
15 work that needed to be done.

16 Then she said, "We don't care about
17 that."

18 That is when Brodo and DiBenedetto came
19 up and she talked to them about it and that was it.

20 Then I told Robbie and Robbie told Rich
21 Calanni, you know.

22 James Brodo I don't think was in the
23 picture. Betty Ann didn't even like him.

24 Q I think he did the majority of the
25 appraisals?

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1 He was sitting there yelling back at
2 her. The next thing you know he walked in and she
3 came out and said "nobody ever use this guy ever
4 again. He's done. And I can't wait to tell people
5 in the industry."

6 That was it. He probably has a little
7 ill will against Walsh.

8 Q We have yet to find that out.

9 A He has probably a little ill against
10 everybody. He still believes he isn't guilty and
11 shouldn't have to go through any of this. But he
12 should be lucky and happy he didn't have to go to
13 jail because he probably wouldn't have made it.

14 Q You said you got paid \$300 per loan
15 that closed. Did you receive any other money from
16 Mr. Skowrenski and/or National Home Funding?

17 A No. Skowrenski was another greedy son
18 of a bitch.

19 Q Did you ever get paid money for
20 bringing in loans from your friends or family --

21 A No.

22 Q -- that got sent through NHF?

23 A I never brought in any loans from my
24 friends or family that I can even remember. I mean,
25 I didn't do any retail loans anymore. I was doing

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1 all wholesale.

2 Q Then you had a company called DAP,
3 Inc.?

4 A I took all the money. He paid me by
5 check. I didn't hide it. It wasn't cash. I would
6 take it and put it through DAP, Inc. I filed taxes
7 on it and everything. It was DAP Consulting, Inc.
8 I treated it as a consulting fee.

9 Q The money that you got from?

10 A Billy. I mean, they were trying to get
11 me -- the government was trying to get me on, like,
12 tax evasion but couldn't because I paid taxes on
13 that money. I didn't hide it. I left myself wide
14 open for it.

15 Q What account were the checks written
16 on? Was it --

17 A Whatever check Billy had. Even if he
18 gave me cash, I'd put it through the business
19 account. Most of the time it was always a check.
20 It was out of Cristo. Sometimes his checks bounced.
21 But they came from Billy all the time.

22 Q Did you ever get checks from any of the
23 lawyers like Mr. Pepsny?

24 A No.

25 Q What happened to DAP, Inc.?

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1 A Nothing. I just let it go.

2 Q Does it have any assets now?

3 A No. It just dissolved.

4 Q Did anybody at Walsh Securities know
5 you were getting money from Mr. Kane to bring these
6 loans in?

7 A Yeah.

8 Q Who knew that?

9 A Betty Ann and Kellie.

10 Q How did they know that?

11 A I told them. Kellie was there. Kellie
12 was all part of the whole thing. Betty Ann -- I
13 just told her. I was real close with Betty Ann. I
14 used to tell her everything. That is why I told her
15 about the properties. I didn't want her to get in
16 trouble. They basically blew me off. My wife -- at
17 the time she was my fiance and she would say "maybe
18 you should quit."

19 I said, "No. Listen, I did what I was
20 supposed to do. I told my supervisor. It is not on
21 me. Not them. Don't worry. Nothing is going to
22 happen."

23 See you later.

24 Q Did you ever tell Bob Walsh or Jim
25 Walsh that you were getting paid by Mr. Kane to

D'Apolito - direct

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1 justify what the LTV would be. They even had them
2 for people with C credit but the LTV would be like
3 60 percent.

4 Q How would Mr. Kane or whoever, Mr.
5 Grieser, was putting these loans together -- how
6 would they know what the Walsh requirements were?
7 Did you have to present that?

8 A I told what the programs were that we
9 had. Billy used to meet with Betty Ann. Betty Ann
10 would tell him exactly what you needed to do for
11 this program. That's how you have to do it. Done.
12 Billy knew exactly what it was.

13 Q How many times did they meet?

14 A Oh, a lot. They met frequently. At
15 least once a week.

16 Q You said you were at some of the
17 meetings. How do you know they met that often.

18 A Because I would go up and show up at
19 Billy's office for whatever reason. She'd be there.
20 I'd be in Parsippany and he'd be up there. Kellie
21 was in Parsippany every day. She had to go there
22 from 9 to 5. That was her job. Billy would be up
23 there. It's all wide open so you'll see whoever
24 walks in. When he would walk in, he would go there,
25 deliver loans, go to her.

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1 what was going on. Billy wasn't -- didn't lie to
2 any of them. They all knew it. They all were in
3 agreement. I don't care what any of them say.

4 Q All these buyers who testified -- they
5 didn't understand what was going on but they were
6 being paid for some unknown reason?

7 A They knew exactly what they were
8 getting involved with. So was Skowrenski and so was
9 Betty Ann and all of them.

10 Q These transactions have been referred
11 to as "flips"?

12 A Right.

13 Q Did Walsh have a program that allowed
14 for a flip to be funded?

15 A No. Not that I'm aware of. I don't
16 remember them having a program for it. But I know
17 that you could legally flip the properties because
18 there was no prepayment penalty in the state of New
19 Jersey.

20 Q So a legitimate flip -- let me ask this
21 question.

22 If the appraisals had been legitimate
23 and the work had been done, the fact that the
24 property had been bought for a lesser amount and
25 sold for a greater amount would have been a

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Exhibit P

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY
Civil Action No. 97-cv-3496 (DRD) (MAS)

-----x
WALSH SECURITIES, INC.,
Plaintiff,

- against -

CRISTO PROPERTY MANAGEMENT, LTD., a/k/a
G.J.L. LIMITED; OAKWOOD PROPERTIES, INC.;
NATIONAL HOME FUNDING, INC.; CAPITAL ASSETS
PROPERTY MANAGEMENT & INVESTMENT CO., INC.;
CAPITAL ASSETS PROPERTY MANAGEMENT, L.L.C.;
WILLIAM KANE; GARY GRIESER; ROBERT
SKOWRENSKI, II; RICHARD CALANNI; RICHARD
DIBENEDETTO; JAMES R. BROWN; THOMAS BRODO;
ROLAND PIERSON; STANLEY YACKER, ESQ.;
MICHAEL ALFIERI, ESQ.; RICHARD PEPSNY,
ESQ.; ANTHONY M. CICALESE, ESQ.; LAWRENCE
CUZZI; ANTHONY D'APOLITO; DAP CONSULTING,
INC.; COMMONWEALTH LAND TITLE INSURANCE
CO.; NATIONS TITLE INSURANCE OF NEW YORK,
INC.; FIDELITY NATIONAL TITLE INSURANCE CO.
OF NEW YORK; COASTAL TITLE AGENCY; DONNA
PEPSNY; WEICHERT REALTORS; and VECCHIO
REALTY, INC. D/B/A MURPHY REALTY BETTER
HOMES and GARDENS,

Defendants.

-----x
March 23, 2010
10:00 a.m.

Deposition of KELLIE FUMAROLA, taken
by Plaintiff, pursuant to Subpoena, held at
the offices of Stone & Magnanini LLP, 150
John F. Kennedy Parkway, Short Hills, New
Jersey, before Todd DeSimone, a Certified
Shorthand Reporter and Notary Public of the
State of New Jersey.

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2

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2 MR. COLVIN: Objection to form.

3 Q. You can answer.

4 A. I believe what happened, if I'm
5 remembering correctly -- well, let me ask
6 you a question: Did I say it in this
7 transcript?

8 Q. No.

9 A. What I believe, from what I
10 remember, we were sitting at a table. He
11 said he needed leases, that he would switch
12 them out with the correct leases once he
13 got a hold of them, and he needed some
14 names on the leases. He did have the
15 figures. He told us to write the figures
16 down. That's what I remember.

17 Q. Do you recall getting names out
18 of the phone book?

19 A. Yes.

20 Q. Mr. Kane testified that one of
21 the locations where you got names for these
22 leases was out of the phone book.

23 A. That's correct.

24 Q. Where did you get the
25 information for the escrow letter?

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2 A. Bill Kane gave me the
3 information. He said -- I believe he said
4 they had the money, they just had to get it
5 from -- was it Yacker, Stanley Yacker?

6 Q. That is one of the closing
7 attorneys.

8 A. Yes, Stanley Yacker.

9 Q. Do you remember anything more
10 about that?

11 A. Can you be specific?

12 Q. Do you remember anything more
13 about preparing the escrow letter and Bill
14 Kane saying that he had the money, but that
15 he needed to --

16 A. He needed the letter put into
17 the loan to submit it, and then he was
18 going to get the original from Mr. Yacker.

19 Q. Do you know if he ever got the
20 original from Mr. Yacker?

21 A. I don't recall, I'm sorry.

22 Q. Would he have given you the
23 original to be placed in the loan files
24 since you were the loan processor?

25 A. They would go through the

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2 leases and the escrow letter?

3 A. I'm sorry, how did he what?

4 Q. How did it come about that

5 Mr. Kane asked you to prepare these
6 fictitious documents such as the fictitious
7 leases and the fictitious escrow letter?

8 A. I don't remember.

9 Q. Were you friends with William
10 Kane?

11 A. We were friendly. We were
12 friends at the time.

13 Q. Would it have been in a social
14 setting that he requested that you come to
15 his office and prepare these documents?

16 A. I don't remember, I'm sorry.

17 Q. So if I told you that Mr. Kane
18 testified that you were paid between \$100
19 and \$200 for each loan that you helped him
20 process, you would say you don't recall
21 that?

22 A. I know I was given money, but I
23 don't remember the specific amounts.

24 Q. Was the money that he gave you,
25 was it to expedite the loan approval

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2 process?

3 A. Can you be more specific?

4 Q. I'm just trying to understand
5 why William Kane would have given you
6 money.

7 A. To help get the loan through.

8 Q. Did anyone at Walsh Securities
9 know that you were getting this money?

10 A. D'Apolito.

11 Q. Did anyone else at Walsh
12 Securities know?

13 A. I don't know.

14 Q. So you don't recall telling
15 anyone at Walsh Securities that William
16 Kane was providing you money to help get
17 loans through?

18 A. I don't believe I did.

19 Q. Did you ever go through closed
20 files and alter some of the documents that
21 were contained in those loan files?

22 A. Can you be specific?

23 Q. Did you ever go through closed
24 files and take some documents out, put some
25 documents in, clean up the file?

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2 A. We were requested to do so.

3 Q. Periodically?

4 A. I don't remember if it was
5 periodically. I know Robert Walsh and
6 Betty Ann DeMola put a bunch of people in a
7 conference room and gave us a list of stuff
8 that had to be taken out of the files.

9 MR. McGOWAN: Could you read
10 that answer back, please.

11 (The record was read.)

12 Q. What kinds of documents would
13 you have taken out of the files?

14 A. I don't recall.

15 Q. Do you recall the reason for
16 taking documents out of the files?

17 A. As of today, no. I mean, no,
18 today I don't remember.

19 Q. As a general matter, what kinds
20 of documents would be contained in the loan
21 file?

22 A. I don't remember. It has been
23 a very, very long time.

24 Q. On occasion would there
25 sometimes be more than one copy of a

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2 document in a loan file?

3 A. There could have been.

4 Q. Could there have been drafts of
5 documents in a loan file?

6 A. I'm guessing. I don't want to
7 say yes or no to something that I'm
8 guessing at.

9 Q. Could there have been documents
10 in a loan file that had handwritten
11 notations?

12 A. I do recall that. I do recall
13 that.

14 Q. And would those have been final
15 documents or would those have been drafts?

16 A. I don't know.

17 Q. Would you ever remove
18 duplicates of documents in loan files?

19 A. If they requested us to.

20 Q. Wasn't it part of your job to
21 remove duplicates so that when the loans
22 were packaged for possibly a
23 securitization, there wouldn't be multiple
24 copies of the same document in a file?

25 A. I'm sorry, I don't recall.

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2 Q. Do you recall when you were put
3 in a conference room and given a list of
4 documents to take out of the loan files?

5 A. No, I don't. I don't know the
6 date.

7 Q. Do you recall if it was close
8 to when the subpoenas were issued?

9 A. I have no idea.

10 Q. Do you recall who was in the
11 room with you when you were asked to take
12 these documents out?

13 A. I know Robert Walsh was there,
14 Betty Ann DeMola. I remember the lady that
15 was the head of closing, but I don't
16 remember what her name was. I can only see
17 her face. There was a bunch of people in
18 there. I don't remember all of who were
19 there.

20 Q. Had you ever been asked prior
21 to this to remove documents from loan
22 files?

23 A. I don't remember.

24 Q. Did anyone in the room seem to
25 think it was unusual that you were removing

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2 documents from these loan files?

3 A. It wasn't just myself removing.
4 There was a bunch of us in the room that
5 were doing that.

6 Q. Did you think it was unusual
7 that you were removing documents from the
8 loan files?

9 A. I don't know if I even thought
10 about it. I don't recall.

11 Q. Was there any conversation
12 amongst you about it being unusual to
13 remove documents from the loan files?

14 A. I don't remember.

15 Q. Do you recall if you were also
16 inserting documents in the loan files at
17 this time?

18 A. I don't remember.

19 Q. If you will look at pages 56
20 and 57 of your deposition testimony.
21 Between page 56, line 8, and 57, line 13,
22 if you could just read that.

23 (Witness perusing document.)

24 A. Could you refresh my memory who
25 Greenwich is?

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2 Q. Greenwich Capital. You don't
3 recall who Greenwich Capital is?

4 A. The name sounds familiar, but I
5 don't --

6 Q. We will get to Greenwich
7 Capital in a minute.

8 (Witness perusing document.)

9 Q. Between pages 56 and 57, you
10 testified that you had removed commitment
11 letters --

12 A. Wait, I'm sorry, I'm still
13 reading.

14 Q. Okay.

15 (Witness perusing document.)

16 A. Okay, I'm sorry, could you
17 repeat your question?

18 Q. My question was, do you recall
19 that you testified to removing commitment
20 letters that had Ms. DeMola's signature on
21 them indicating that she was waiving
22 conditions?

23 A. That is what I said.

24 Q. What kinds of conditions would
25 she have been waiving?

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2 A. I don't recall now -- I'm
3 sorry, I'm just rereading this.

4 (Witness perusing document.)

5 A. Okay, I'm sorry?

6 Q. What kinds of conditions would
7 Ms. DeMola have been waiving?

8 A. I don't recall now.

9 Q. Do you recall how many letters
10 were in the files that had conditions that
11 were waived?

12 A. No.

13 Q. Did Ms. DeMola have authority
14 to waive conditions?

15 A. I don't believe she did.

16 Q. Did underwriters normally waive
17 conditions?

18 A. Underwriters did waive
19 conditions.

20 Q. Why do you think that Robert
21 Walsh would have known that she was waiving
22 conditions?

23 A. As I stated back here, it was
24 in my opinion that he knew that she was
25 waiving conditions.

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2 Q. But in your testimony
3 previously you had stated it was because he
4 was in and out of the room while you were
5 cleaning up the files?

6 A. Correct.

7 Q. Why do you think that just
8 because he walked in and out of the room
9 that he would be aware that she waived
10 conditions on the commitment letters?

11 A. It is only my opinion that I
12 stated back then. I mean, it is hard for
13 me to say now.

14 Q. Did you have any conversations
15 with Mr. Walsh?

16 A. Personal conversations?

17 Q. During these incidents where
18 you were in the conference room removing
19 documents.

20 A. No, I don't believe I did. I
21 mean, from reading this, I remember they
22 did not want her signatures on anything.

23 Q. When you say "they did not want
24 her signatures on anything," who is that?

25 A. The upper management.

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2 Q. And who would that be?

3 A. Well, at the time it was Jim
4 Walsh, I remember Art, was it Gilgar?

5 Q. Yes.

6 A. Robert Walsh being another one
7 who was upper management. They didn't want
8 anything with her name on it. After
9 rereading this, I do remember that.

10 Q. Was Betty Ann DeMola upper
11 management?

12 A. Yes. In my opinion, she was.

13 Q. And why is it your opinion that
14 she was upper management?

15 A. Because that's my opinion.

16 Q. So this list that you were
17 given to remove documents, was it handed to
18 you by Jim Walsh, Art Gilgar, Robert Walsh,
19 Betty Ann DeMola?

20 A. I don't remember who handed it
21 to me.

22 Q. Then why do you think that
23 upper management gave you this list of
24 documents to remove?

25 A. Where else would it come from?

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1 FUMAROLA

2 Q. So you believe that upper
3 management gave you this list?

4 A. They were in the room. We were
5 told to take it out by them. And I did
6 what I was told to do.

7 Q. So Jim Walsh, Art Gilgar,
8 Robert Walsh, and Betty Ann DeMola were all
9 present when you were handed this list of
10 documents to remove?

11 A. I don't remember if they were
12 present when it was handed. They were in
13 and out of the rooms.

14 Q. Do you have any firsthand
15 knowledge that Jim Walsh, Art Gilgar,
16 Robert Walsh, or Betty Ann DeMola knew
17 exactly what was on this list?

18 A. I assume they did, since they
19 were in and out of the rooms.

20 Q. Did upper management frequently
21 walk by the area in which you sat at Walsh
22 Securities?

23 A. Everybody came back and forth
24 throughout that area.

25 Q. And when they were walking back

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2 Robbie Skowrenski."

3 Q. Who was it that told you to
4 contact Mr. Kane?

5 A. I remember Betty Ann DeMola.

6 Q. And how would Betty Ann DeMola
7 have known that somebody was going to be
8 going and looking at this property?

9 MR. COLVIN: Objection.

10 Q. You can answer.

11 A. I'm sorry, can you repeat that?

12 Q. Do you have any knowledge about
13 how Betty Ann DeMola would have known that
14 somebody was going to be going and looking
15 at one of William Kane's properties?

16 A. What I remember -- from what I
17 remember today, they were all at the end of
18 the office having a big conversation. They
19 called me down. I went down. Betty Ann
20 had stated to me that somebody was going to
21 go do a drive-by inspection of a house.

22 I don't remember who said the
23 house was just a shell, as it was stated
24 also in this deposition, but I was to get
25 Kane on the phone, call him, get there, get

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2 some curtains, lights, whatever, put up, so
3 it looked like somebody was living in it.
4 That I do recall.

5 Q. When you say they called you
6 over, who was it that you spoke with?

7 A. I remember Betty Ann being down
8 there. I don't remember if Anthony
9 D'Apolito was down there at the end of the
10 office. I remember speaking with Betty
11 Ann.

12 Q. Do you remember who else was
13 present?

14 A. I don't.

15 Q. And why would it have mattered
16 if the house looked lived in or not?

17 A. Well, I don't remember the
18 specifics as to why, what was going on at
19 the time. I don't remember.

20 Q. Sometimes houses are sold
21 without anything in them, so you don't have
22 any recollection as to why it would have
23 mattered --

24 A. I don't remember specifically
25 what was going on at the time as to why

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2 Q. Because there was going to be a
3 drive-by, right?

4 A. I believe that is what was
5 stated, yes.

6 Q. So that's the third thing that
7 happened, we have the escrow letter, we
8 have the phony leases, and we have Betty
9 Ann telling you to call Kane and Skowrenski
10 because there is going to be a drive-by?

11 A. Yes.

12 Q. There is a fourth thing that
13 happened, when you were all in the
14 conference room putting stuff in and taking
15 stuff out of these mortgage files, right?

16 A. Yes.

17 Q. And you took part in that as
18 well, right?

19 A. Yes.

20 Q. Along with other people?

21 A. Yes.

22 Q. And Betty Ann DeMola, how was
23 she involved in that? Was she there?

24 A. She came in and out of the
25 office.

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2 Q. And I think you told me that
3 Robert Walsh -- you told us that Robert
4 Walsh was in and out of that room from time
5 to time?

6 A. Yes.

7 Q. While this activity was going
8 on?

9 A. Yes.

10 Q. And based upon the fact that he
11 was in and out of the room from time to
12 time while this activity was going on, it
13 was your impression from having been there,
14 without anybody telling you this, that he
15 knew what was happening in that room that
16 day; is that right?

17 A. In my opinion, yes.

18 Q. There was also some testimony
19 from your prior deposition, and it will
20 probably take me ten minutes to find it --

21 MS. WAGNER: There is a word
22 index at the back, if that helps.

23 Q. On page 56 and 57 of your prior
24 deposition, you are talking about that
25 meeting where things are being taken out of

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2 the files in the conference room.

3 On page 56, at line 10, you say
4 "Honestly, I don't remember specifically
5 what was taken out." Then you say, a
6 little further down, "I'm sorry, yes, I do
7 remember. Under any commitment letters
8 that had gone out with Betty Ann DeMola's
9 signature on them, her signing waiving off
10 conditions were taken out."

11 Do you see where you said that?

12 A. Yes.

13 Q. Does that refresh your
14 recollection that was at least one of the
15 things being taken out of those files?

16 A. Yes, now that I read that.

17 Q. They ask you why did you do
18 that, you said you didn't know at the time,
19 at the very bottom of page 56.

20 But I guess by the time this
21 deposition took place, your first
22 deposition, you had come to some
23 conclusions in that regard, right?

24 A. Yes.

25 Q. Why was it that they wanted the

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2 things with Betty Ann waiving off the
3 conditions out of the files, in your
4 opinion?

5 A. She didn't have authorization,
6 as I recall it.

7 Q. Who is supposed to waive
8 conditions?

9 A. The underwriters.

10 Q. Betty Ann was not an
11 underwriter, was she?

12 A. No.

13 Q. What was her position, if you
14 know?

15 A. I don't remember what her
16 position was.

17 Q. Now, you stated a couple of
18 times here and a couple of times in your
19 prior deposition that at least one of the
20 reasons why you are suspicious about the
21 Walshes and Betty Ann is that they are a
22 very close family; is that right?

23 A. I'm sorry, can you repeat that?

24 Q. There is nothing wrong with
25 being a close family. But one of the

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2 reasons why you are suspicious about the
3 knowledge of the Walshes and Betty Ann
4 DeMola regarding the frauds that were going
5 on here in this case is because they are
6 close, they talk a lot, they are in
7 business together, and they are family,
8 right?

9 A. I can't tell you what they
10 speak about as a family. I remember them
11 being close.

12 Q. As you sit here today, do you
13 think Betty Ann DeMola was involved in the
14 frauds, or at least had knowledge of the
15 frauds?

16 A. In my opinion?

17 Q. Yes.

18 A. I do, only based on, I mean, I
19 can't be specific, but one of the instances
20 being that she asked that.

21 Q. And you also think based upon
22 him walking in and out of the room that
23 Mr. Robert Walsh was aware of what was
24 going on that day when you were taking
25 stuff out of the files?

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2 A. It is my opinion that he knew
3 what was going on when we were all in the
4 room.

5 Q. And you were also asked on page
6 57, "Do you know whether Robert Walsh was
7 aware that Betty Ann DeMola was waiving
8 conditions?" That's line 18 and 19 on page
9 57. And line 20 is your answer. "It is my
10 opinion that he did know."

11 Once again, you say because he
12 was in the conference room walking in and
13 out and that sort of thing, right?

14 A. That's what I said.

15 Q. Is that still your view?

16 A. If that's what I said, then at
17 the time that's what I believed.

18 MR. McGOWAN: I don't have
19 anything else. Thank you very much.

20 MS. MERIN: I have a few
21 questions for you

22 EXAMINATION BY MS. MERIN:

23 Q. My name is Sara Merin. I'm
24 from McCarter & English, and we represent
25 Commonwealth Land Title Insurance Company.

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Exhibit Q

1

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
CIVIL NO. 97-3496

ORIGINAL

1 WALSH SECURITIES, INC., :
2 Plaintiff, : DEPOSITION UPON
3 : ORAL EXAMINATION
4 : OF
5 -vs- : GARY D. GRIESER
6 CRISTO PROPERTY MANAGEMENT, :
7 LTD., et al., :
8 Defendants, :
9 -and- :
10 COMMONWEALTH LAND TITLE :
11 INSURANCE COMPANY, :
12 Defendant/Third Party :
13 Plaintiff, :
14 -vs- :
15 ROBERT WALSH and :
16 ELIZABETH ANN DE MOLA, :
17 Third-Party :
18 Defendants. :
19 -----
20
21
22
23
24
25

17
18 T R A N S C R I P T of the
19 stenographic notes of STANLEY B. RIZMAN, a Notary
20 Public and Certified Shorthand Reporter of the State
21 of New Jersey, Certificate No. XI00304, taken at
22 the offices of Boise, Schiller & Flexner, LLP,
23 150 John F. Kennedy Parkway, Short Hills, New
24 Jersey, on Tuesday, January 16, 2007, commencing at
25 10:15 a.m.

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15 For Coastal Title Agency.

Grieser - direct

29

1 You made some comments in this
2 transcript about Robert Walsh and Walsh Securities
3 being aware of your activities. That is what my
4 questions are going to concern themselves with.

5 If you would turn to page 71. When I
6 refer to 71, Mr. Grieser, I'm not referring to the
7 bottom. If you look at each page, you'll see there
8 is --

9 A Seventy-one.

10 Q On that page you refer to there being
11 no reliance from the mortgage lenders on anything.

12 Then on page 72 you said that you
13 "dealt with the people for ten years or better and
14 they've all known who" you were, "certainly with the
15 mortgaging things, and the president of that company
16 said to me there is no fraud unless I" -- I think
17 the "I" refers to the president, says so -- "no
18 fraud, no bank fraud."

19 Then later on 72 you say, "So I was
20 concerned with the way things were being handled
21 with the companies and I put it to the president and
22 I put it to the vice president of the company at
23 that time in the meeting which I've talked about
24 with various agencies here, that, you know, I've
25 disclosed everything that I was doing and that they

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1 were full aware of this stuff going into it and
2 afterwards.

3 "I wanted to make sure that the higher-
4 ups in the company certainly knew about what was
5 going on and I said if they continued to fund me and
6 said there's no fraud, then I guess I'm not doing
7 anything wrong because they say it's their money."

8 Then later on page 73 you say, m"I
9 apparently went up to Mr. Walsh and his company to
10 make it very clear what was going on because I was
11 told by people below him that the company was aware
12 and, in fact, some of the company's people supplied
13 the paperwork for it, and I certainly ran my Social
14 Security number to make sure that it was clear."

15 That is, apparently, your son's Social
16 Security number?

17 A Yes.

18 Q Again, what am I driving at? That is
19 what you want to know. I want to find out what
20 people at Walsh Securities knew about your
21 activities. That is what my questions now are going
22 to deal with.

23 With respect to using your son's Social
24 Security number, was there anybody at Walsh
25 Securities aware that you were doing that?

Grieser - direct

31

1 A One thing, if you don't mind.

2 Q Sure. Go ahead.

3 A Can we just say with respect to using
4 the false Social Security number, years ago this got
5 in the papers. It is kind of a sore spot to have my
6 son involved. He's an infant. He's a minor. I
7 had -- I've paid for what I've done wrong. It kind
8 of keeps rubbing me with the son. Just the false
9 Social Security number would be adequate?

10 I don't like my son being in this
11 hearing.

12 Q I'll rephrase the question.

13 With respect to you providing a false
14 Social Security number or an incorrect Social
15 Security number for some of the loans that ended up
16 with Walsh Securities, was Walsh Securities aware of
17 that?

18 A I can break it down how I viewed it, if
19 you don't mind.

20 Q Go ahead.

21 A I was dealing in business for people
22 for ten years. What I was talking about with that.
23 People like D'Apolito who were for other places that
24 I did business with. He knew I wasn't -- I don't
25 know, born in 1966, certainly. I was born in '55.

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1 The thing was I bought, like, 12 houses
2 under that false Social Security number. It was
3 fraud. I knew it was fraud. Then I came up with
4 this joint venture concept. I thought, well, this
5 is legitimate. I thought. I'm not an attorney.
6 Just a little knowledge is dangerous sometimes.

7 We were buying things and things were
8 going so well. I wanted to go up. Where I was
9 going to Walsh Securities, I was told, the only
10 people I was dealing with was D'Apolito, maybe, one
11 of the other underwriters in the company, and
12 National Home Funding.

13 So, you know, he told me it was fine.

14 I wanted to go up. I was invited up by
15 Betty Ann to have lunch that day. Before we went to
16 lunch I sat down. I talked to Jimmy Walsh. I
17 explained to him what I was doing with the joint
18 ventures, how it was going. How we were controlling
19 it.

20 I said, "If I tell them and they still
21 fund me, then it's okay, it's legitimate."

22 Betty Ann wasn't there. D'Apolito,
23 Betty Ann and myself went out to lunch and D'Apolito
24 said, "You know, Gary just laid out this whole thing
25 to Jim." And he explained, I guess, when I went to

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33

1 the bathroom, at lunch. He laid out to her
2 basically -- I guess she got nervous or upset about
3 the whole thing because she put a lot of loans
4 through us. I don't recall whether she was nervous
5 because she didn't know about it or she was nervous
6 because she did know about it.

7 I'd only be guessing at that. But she
8 got upset about it.

9 She called Jim. Basically, my thoughts
10 at the time was she was calling Jim to say: We
11 screwed up or I screwed up. Something has gone bad
12 here. Don't tell Robert.

13 At that point when this whole story
14 unfolded, I was fairly convinced that Robert had no
15 knowledge of this because she was trying to hide
16 this activity from him.

17 I guess that is where I went with that.
18 That is where I thought how it unfolded.

19 MR. KOTT: Could you read that answer
20 back?

21 (Record read.)

22 Q I have some questions about that
23 answer, which the court reporter has read back.

24 You referred to another underwriter in
25 that answer. Do you remember who the other

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1 and we were controlling the names.

2 As to the first part you said, I don't
3 know if I was that specific or not.

4 Q Were you specific that the loans were
5 in the name of borrowers who had a joint venture who
6 would then transfer the property or 60 percent of
7 the interest in the property to your company,
8 Capital Assets?

9 A I believe I was. Again --

10 Q Who is Jim Walsh?

11 A I believe he was one of the Vice
12 Presidents at Walsh Securities.

13 Q So far as you know, is he the brother
14 of Robert Walsh and Betty Ann DeMola?

15 A Yes.

16 Q You said in response to one of the
17 answers that after that Walsh continued to fund your
18 loans?

19 A I think what I said was if they
20 continue to fund, then we'll know we're legitimate;

21 Q Did they continue to fund the loans?

22 A I believe they funded a few more.

23 Again --

24 Q Best recollection?

25 A -- best recollection. I believe they

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1 Q My understanding -- and I have no
2 personal knowledge. My understanding was that it
3 was in the newspapers and then Mr. Walsh, Robert
4 Walsh, indicated he want to meet with you and Kane.

5 Do you have that recollection or not?

6 A I'm not sure. I'm not sure which came
7 first.

8 Q Okay.

9 A I can remember being at that meeting
10 with him, some of the things that were said. But I
11 don't remember how it broke.

12 Q Where was the meeting?

13 A It was in his offices.

14 Q Walsh Securities' headquarters in
15 Parsippany?

16 A Yes.

17 Q Who was in the meeting with Robert
18 Walsh?

19 A I believe one of his attorneys or some
20 representative with him in the company. I think
21 D'Apolito, Bill Kane. I don't know if anybody else
22 was there. Maybe Jim. I don't know.

23 Q What happened in that meeting?

24 A Again, I said "Okay. I'm here again to
25 explain this."

Grieser - direct

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1 He listened to it. Basically, he made
2 that statement.

3 He said, "It's our money and it is not
4 fraud unless we say it's fraud."

5 That is pretty much what I got out of
6 the meeting. Whether he decided after I left the
7 hell with it, it is fraud, I'm not sure.

8 Q What did you interpret him as meaning
9 when he said "it's our money; and if we don't say
10 it's fraud, it's not fraud"?

11 I'm paraphrasing what you said, but
12 what was your interpretation of that?

13 A My interpretation. I guess in my mind
14 I was thinking it's his company. It's his money
15 that is being lent. As to the way it's being lent
16 and the way it's being borrowed, more importantly,
17 it's not fraud unless he judges it to be fraud.

18 Q Was it your impression that he did not
19 think it was fraud?

20 A At that moment I was thinking that he
21 was thinking that it wasn't.

22 Q Do you have a recollection of whether
23 Walsh Securities funded any of your loans after the
24 meeting with Robert Walsh that you just described?

25 A I don't have any clear recollection of

Grieser - direct

141

1 time to go file the deed?

2 A Unless that is the time when he got
3 wind of his Indictment or possible Indictment from
4 New York for selling stuff to dead people that he
5 was going to be looked at.

6 Q Jumping back to the meeting with Jim
7 Walsh and the lunch with Ms. DeMola. Do you recall
8 when that was? Was that the middle of June of '97?

9 A It was somewhere around there. I don't
10 recall exactly, but that was about the date.

11 Q Do you recall -- was it a couple of
12 days before you had the meeting with Robert Walsh?

13 A It was either a couple of days or
14 within that period, yeah.

15 Q When you had the meeting with Jim
16 Walsh, did you tell him that you had actually
17 purchased the first couple of properties you were
18 using as part of the REIT?

19 A I don't recall if I told him that or
20 not. I may have just laid the whole thing out. I
21 could have. I was just trying to be honest with
22 everybody at that point. I don't know if I would
23 have spoken about that. I don't know. I could
24 have. I don't know.

25 Q That is what I was wondering. You said

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Exhibit R

1

* * *

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY
CRIMINAL NO. 02-508

UNITED STATES OF AMERICA

Plaintiff

- VS -

ELIZABETH ANN DEMOLA

MOTIONS

- Defendant

Newark, New Jersey

September 12, 2003 10:30 a.m.

8 | B E F O R E :

THE HONORABLE KATHARINE S. HAYDEN, U.S.D.J.

10 | A p p e a r a n c e s .

11. CHRISTOPHER J. CHRISTIE
UNITED STATES ATTORNEY-NEWARK
12. Attorneys for Plaintiff-USA
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BY: ALAIN LEIBMAN, AUSA, ESQ.

15 DECOTIS, FITZPATRICK, COLE & WISLER, LLP
16 Attorneys for Defendant-Elizabeth Ann DeMola
17 Glenpointe Centre West
500 Frank W. Burr Boulevard
Teaneck, New Jersey 07666
BY: JEFFREY D. SMITH, ESQ.

19 Pursuant to Section 753 Title 28 United States Code,
20 the following transcript is certified to be an accurate
record as taken stenographically in the above-entitled
proceedings.

~~Ralph F. Florio
Official Court Reporter~~

UNITED STATES DISTRICT COURT NEWARK, NEW JERSEY

1 superceding in that case. The judge did no testimony, there
2 were no affidavits, no factual materials of any kind.

3 So there's no support in any case I've seen and
4 none any defense cited for a factual hearing, whether your
5 Honor could conceivably put victims on the witness stand to
6 find out whether they were lulled or not lulled. That's not
7 the role of the Court on a 12(b) motion to dismiss.

8 So those are two I think undeniable aspects of
9 where we stand procedurally: You can neither hold a factual
10 hearing nor in this case, I submit, resolve this without
11 letting it go to the jury for the reasons I'll discuss in a
12 moment.

13 Let me give you a different background, a fuller
14 background, one that comports with the indictment that was
15 returned.

16 What you'll hear at trial if this matter goes
17 forward and what the jury will hear, is that Walsh Securities
18 which was founded in 1996, was founded with one of two
19 purposes in mind. There are documents to support this and
20 witnesses will testify. And it's helpful to the government,
21 your Honor, that the principals of Walsh are actually here
22 today. Because you will be hearing names at trial and now
23 you can put a face to a name.

24 In middle of the first row is Robert Walsh. He was
25 the principal, the lead principal, chief executive of Walsh

1 Securities. His brother to his right, his left, your Honor's
2 right, is James Walsh. And Betty Ann DeMola was their
3 sister. The three of them were the principals of Walsh
4 Securities.

5 There are memorandum and other evidence to suggest
6 that when Robert Walsh took this company out of Donaldson
7 Lufkin and Jenette where it was a subsidiary or entity and
8 brought it out on its own, he either wanted to conduct an
9 initial public offering, taking it public and cash out that
10 way or find a merger partner. So from day one the whole
11 objective was to cash out their interest. This whole scheme
12 was founded on those notions: Take our interest in this
13 modest privately held entity, make it bigger, make it more
14 successful and cash out. The indictment expresses that
15 theory.

16 The indictment further goes on to explain that the
17 driving engine behind this fraud was Elizabeth DeMola, known
18 as Betty Ann DeMola the national sales manager. The
19 indictment doesn't say this but I will elaborate the proofs.
20 Robert Walsh was the idea guy, the big the picture guy.
21 James Walsh the marketing guy, the secondary loan guy. He
22 would find people to buy Walsh's loans. He was involved in
23 what we call securitizations, where these loans are pooled
24 and sold in share interests to large institutional investors
25 for the most part. Betty Ann DeMola day-to-day,

1 week-to-week, month-to-month was the driving force in these
2 sales.

3 Your Honor will hear testimony about how crazed she
4 was at the end of every month to meet her sales quota, how
5 loans were rammed through the loan processing and
6 underwriting procedures to get on the books of Walsh. How
7 she insisted that appraisers raise their appraisal values
8 beyond what is reasonable and accurate. How she threw policy
9 manuals in garbage cans to demonstrate her profanely many
10 times and loudly expressed views about the value of their
11 policy and procedures internally. How she pushed their
12 representatives to make loans of any kind. How she allowed
13 land flippers, such as a gentleman named William Kane that
14 will testify in this case, actually set up a desk at Walsh to
15 bring his loans in quickly and conveniently, the whole
16 process to bring in loans.

17 Now, as we do acknowledge in our papers, that
18 somewhat is counter-intuitive. Most lenders would be
19 concerned about the quality of the loans that they have in
20 inventory because after all, you don't want a lot of bad
21 loans. You can't make a lot of money in loans if they all go
22 bad.

23 But Walsh's objective was not the fee income on the
24 loans. It was not the points they were charged. Or not the
25 premiums they would get for selling loans. Their idea was to

1 increase inventory. Take this little nothing company that
2 was spun off DLJ and make it a big company, an attractive
3 company for an IPO and an attractive company for a merger.
4 That was the whole objective.

5 Yes, that allowed land flippers like Kane to make
6 very good money buying and selling decrepit properties in
7 Asbury Park with these loans. Betty Ann DeMola was there on
8 many of those transaction pushing, aware of the fraud,
9 counseling the use of phony second mortgages. And there are
10 a number of specifications I won't go into now, but the
11 proofs will establish these at trial all with that purpose in
12 mind. Those were the objectives of the fraud.

13 In early 1997, they find a merger partner. Success
14 was on the horizon. The big idea, the Robert Walsh idea is
15 about to come to fruition. They find a company in South
16 Carolina, Resource Bank Shares Mortgage Group, RBMG, that's
17 prepared to essentially merge with Walsh. It's not quite a
18 merger but I'll use that as a paraphrase of the business
19 arrangement. Walsh will disappear, there will be a new
20 entity created in the South Carolina Mortgage Company.

21 Through 1997 the fraud continues. Your Honor will
22 hear about meetings. And a number of cooperating witnesses
23 have already implicated Robert Walsh, James Walsh and Betty
24 Ann DeMola in this fraud. They put them at meetings where
25 fraud is discussed. They put them in places where these

1 things are on the table. This proceeds through 1997. Things
2 are going swimmingly as far as the conspirators are
3 concerned. Until in late of June 1997, the Asbury Park Press
4 prints the first of 35 stories perhaps, 40 stories. What
5 they call the House of Cards, because quite aptly this whole
6 pyramidal scheme with Walsh at the top. Mr. Smith asks why
7 did it take five years to get to Betty Ann DeMola, because in
8 the meantime we've convicted layers of attorneys, CPAs,
9 mortgage brokers, mortgage reps, appraisers, we are now at
10 the top of the pyramid. This whole pyramid is built on
11 fraud. The foundation is unsound.

12 The first story comes out about decrepit houses
13 that are overvalued backed by Walsh mortgages and that puts,
14 according to the indictment, the conspirators into a frenzy
15 how to keep alive the merger.

16 Now one way that Walsh had been making loans, in
17 fact the only way Walsh had been able to make the loans is
18 with a funding source called Greenwich Capital, a company in
19 Connecticut not involved in the scheme. They were the
20 warehouse credit facility. They provided the money, Walsh
21 has the money wire transferred in to make the loans.

22 The vision, the goal, the objective is in sight,
23 it's close at hand, but now it starts slipping away. Now the
24 merger, the cash-out, which will put money in each of their
25 pockets, bonuses, salaries far beyond what they're earning

1 now, positions with a substantial company with one of the
2 largest mortgage lenders in the country, now that's starting
3 to ebb away. There's a risk that's going to slip away after
4 all of this work and everything that's gone on, these letters
5 then follow.

6 So it has nothing to do with lulling the FBI, has
7 nothing to do with lulling the government. When we talk
8 about letters in this case, and we can look at them I have
9 them here, your Honor. We're talking about acts in
10 furtherance of this scheme. Lulling is a characterization
11 that courts have placed on certain categories of
12 communications. They are all under the rubric in furtherance
13 of the scheme. But occasionally there are schemes where the
14 perpetrators appear to have achieved their objectives and
15 then are charged with acts that follow afterwards.

16 Courts in many cases have said, well, that's
17 appropriate, those acts lulled persons into not acting. For
18 example, in this case we don't need to make that semantic
19 split or semantic division. Clearly under the government's
20 theory, these letters to the merger partner and to the
21 warehouse credit facility were designed to keep them in line,
22 keep them on track, keep this program moving forward to the
23 end.

24 Let me interject one thing here. Mr. Smith, who
25 otherwise makes a good argument for his side, made a

Exhibit S

GREENWICH CAPITAL MARKETS, INC.
600 STEAMBOAT ROAD
GREENWICH, CONNECTICUT 06830

January 6, 1997



Mr. Robert Walsh,
President & CEO
Walsh Securities,
4 Campus Drive
Parsippany, NJ 07054

Dear Bob:

Following are Greenwich's thoughts on which of Walsh's loan programs or policies and procedures are causing the majority of the issues that we have noted in the past three months.

I. Appraisal Issues

Problems: We believe a number of Walsh's appraisals may be overstated by significant amounts. The following issues have been observed:

- Appraisals fail to report prior sale of subject properties.
- Comps are inappropriate (too distant or superior to subject).
- Review appraisals are ordered by the broker.
- Appraisals are substantially overstating the property condition or failing to report items which negatively impact value.
- Appraisers are not noting improvements or reasons for valuation increases versus recent sales.

Solutions:

1. Improve in house desk reviews; probably best accomplished by putting a staff appraiser in each branch office. A chief appraiser should also be hired to oversee the company's overall appraisal review and control functions.

2. Increase the percentage of pre-funding third party field review appraisals, ordered directly by Walsh personnel, covering both specific programs and random reviews.
3. If a property has purportedly had recent remodeling, rehab, additions, etc., this should be documented in detail by the appraiser including photographs of the improvements.
4. Material valuation increases should be fully explained.
5. Appraisers and brokers that submit questionable appraisals should be removed from the company's approved. These approved lists should also be adhered to with minimal exceptions or with proper controls.

II. Loan Programs

Problems: Certain loan programs possess above average risks if they are not stringently underwritten with specific emphasis appraisals and underwriting documentation. Problem loan programs are as follows:

- Land contract refinancings
- Concurrent property sales (e.g., flips); often related to REO acquisitions
- Unseasoned refinancings with large valuation increases; again often related to REO transactions

Solutions:

1. Refinancings of land contracts should be limited to land contracts where a number of payments (i.e., 6) have been made by the buyer. These payments should be verified by receiving copies of canceled checks or bank statements from the borrower.
2. Land contracts with less than 6 months seasoning should be treated as purchase money mortgages.
3. Discontinue making loans to principals and employees of the brokers with whom Walsh does business. If loans are done with brokers or their employees then all appraisals and title policies should be ordered by Walsh, with processing and underwriting performed by the company's head underwriter at its headquarters. Added safeguards should be built in to ensure the absence of fraud.
4. Purchase money transactions involving concurrent sales of properties should not be done or should only be done with tight controls. Ones that happen to make sense, should only be done with extensive explanation and documentation, including stringent appraisal procedures.

5. Refinancings of recent REO purchases need stricter appraisal controls. Valuation increases should be properly supported and all rehab expenses documented. A high percentage of review appraisals directly ordered by Walsh are also warranted.
6. Appraisals should always support material valuation changes.

III. Underwriting and Prefunding Documentation

Problem: Certain types of inaccurate, or possibly fraudulent documentation can negatively impact the salability of loans. This inaccurate information frequently masks the actual nature of a loan transaction.

Solution:

1. Every loan file should have an initial and final loan application signed by all borrowers to the transaction. Every application should be fully completed. This includes a complete listing of the borrower's liquid assets and an answer to the question regarding source of down payment for purchase money loans. For refinancings, the questions as to when the property was acquired, for how much, and what improvements were made should be fully completed.
2. Funds to close purchase transactions should be verified. If the total amount was deposited with the closing agent, the source should be separately verified as having come from the borrower (prior bank statement, HUD 1 on sale or refinance, etc.)
3. Required documentation (i.e., copies of land contracts, purchase contracts, leases) should be complete, signed by all appropriate parties (i.e. a land contract needs to be signed by both the buyer and the seller), and the signatures of the parties should be consistent throughout the origination file.
4. Ensure closing instructions are complete and accurate. Ensure these instructions are sufficiently specific to provide adequate recourse against the closing agent should a loan be closed incorrectly.

IV. Post Closing Review:

Problems: Certain types of documentation problems, closing agent performance problems, and borrower and/or broker misrepresentation and possibly fraud are occurring.

Solutions:

1. Obtain a copy of the HUD 1 for all closed transactions. Review the HUD 1 to ascertain if the transaction was closed in accordance with the closing instructions (no new secondary financing or increased amounts of secondary financing, no new credits, no closing credits in excess of the closing costs, etc.)
2. Compare the borrower's signature as shown on the note and mortgage with the borrower's signature on various origination documents (i.e. application, purchase contract, etc.)
3. Confirm that underwriting conditions were met and that the documents obtained support the underwriting decision.
4. Take appropriate actions against brokers, appraisers, and closing agents where there is evidence of fraud, misrepresentation, or failure to follow the closing instructions.

We believe that adopting the above suggestions would greatly improve the company's loan quality. We look forward to discussing these issues with you and your management team at your earliest convenience.

Sincerely,

Nm f

Don Lawson

Exhibit T

1

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF NEW JERSEY
3 CIVIL NO. 97-3496

4 -----
5 WALSH SECURITIES,
6 INC.,

7 Plaintiff,

8 v.

9 CRISTO PROPERTY
10 MANAGEMENT,
11 LTD., et al.,

ORIGINAL

12 Defendants.

13 : DEPOSITION UPON
14 : ORAL EXAMINATION
15 : OF
16 : RICHARD CALANNI

17 and

18 COMMONWEALTH LAND
19 TITLE INSURANCE
20 COMPANY,

21 Defendant/
22 Third-Party
23 Plaintiff,

24 v.

25 ROBERT WALSH and
ELIZABETH ANN DE MOLA,

Third-Party
Defendants.

2

1 T R A N S C R I P T of the stenographic
2 notes of HOWARD A. RAPPAPORT, a Notary Public and
3 Certified Shorthand Reporter of the State of
4 New Jersey, Certificate No. XI00416, taken at the
5 offices of BOIES, SCHILLER & FLEXNER, LLP.
6 150 John F. Kennedy Parkway, Short Hills, New Jersey,
7 on Wednesday, January 10, 2007, commencing at 10:05 a.m.

8 A P P E A R A N C E S:

9
10 BOIES, SCHILLER & FLEXNER, LLP
11 150 John F. Kennedy Parkway
12 Short Hills, New Jersey 07078
13 BY: ROBERT A. MAGNANINI, ESQ.,
14 AMY WALKER WAGNER, ESQ.,
15 For the Plaintiff

16
17 MC CARTER & ENGLISH, LLP
18 Four Gateway Center
19 100 Mulberry Street
20 Newark, New Jersey 07102-0652
21 BY: DAVID R. KOTT, ESQ.,
22 For Defendant/Third-Party Plaintiff Commonwealth Land
23 Title Insurance Company

24
25 FOX, ROTHSCHILD, O'BRIEN & FRANKEL
26 2000 Market Street
27 Philadelphia, Pennsylvania 19103
28 BY: EDWARD J. HAYES, ESQ.,
29 For Defendants Nations Title Insurance and
30 Fidelity National Title Insurance

31
32 METHFESSEL & WERBEL
33 3 Ethel Road
34 Suite 300
35 Edison, New Jersey 08818
36 BY: KEITH MURPHY, ESQ.,
37 For the Defendants

Calanni - direct

74

1 explained to me, and all these investors, now we find
2 out never existed, I never had a client like that,
3 no.

4 Q Were you uncomfortable doing it that
5 way?

6 A I was uncomfortable in the beginning.
7 That's why I would go up to the offices to look to
8 see if my appraisals were in a particular place that
9 I put them, like on a desk or on the side, and they
10 were there.

11 Q And you were uncomfortable, and what you
12 wanted to check was that National Home Funding or
13 Cristo had not sent them up to Walsh before you had
14 gone back to do the reinspection?

15 A Correct.

16 Q All right.

17 In your guilty plea before
18 Judge Wolin -- I have a transcript here, I'll show it
19 to you in a moment --

20 MR. KOTT: Showing the witness a
21 December 1, 1998 transcript in United States of
22 America versus Thomas Brodo, James Brown and Richard
23 Calanni.

24 Q At page 51, line 25, Judge Wolin asked
25 you as follows.

Calanni - direct

75

1 "At a meeting which occurred at Walsh
2 Securities, did James Walsh, in substance, urge you
3 to increase the values you placed on the Walsh
4 properties?"

5 The answer you gave is: "That is true,
6 your Honor."

7 Is that meeting the one you just told me
8 about?

9 A That's the meeting that I told you
10 about. The answer to that question is as descriptive
11 as I've given you.

12 Q Okay.

13 A This plea doesn't offer a description.

14 Q I'm going to show you this, if you want
15 to look at it, but it looked like what you were
16 telling Judge Wolin you did wrong was that while some
17 of the properties were in a state of repair, you
18 assigned values to them as if they had already been
19 repaired.

20 A For the reasons that I have explained to
21 you in this testimony.

22 Q Not being a lawyer here, I'm asking just
23 your understanding, is that what you were pleading
24 guilty to?

25 A Let me -- let's go with this plea.

Calanni - direct

100

1 A In the beginning, with that reasoning
2 about the higher prices with the market approach,
3 yes, because they couldn't find comparable sales out
4 in the multiple listing, of which I said to them, but
5 I already brought that to everybody's attention,
6 Robert Skowrenski, and it was my understanding
7 through him, Robert Skowrenski, to use the closing
8 attorneys because your sales are going there
9 approved, because I reconfirmed that through Kellie.

10 Q So would it be fair to say that your
11 meeting with Jim Walsh, he expressed a view that your
12 appraisals might have been too high, and then he
13 suggested that you use an appraisal method, meaning
14 the income approach, which might even result in a
15 higher appraisal?

16 MR. MAGNANINI: Objection to the form.

17 A Without question.

18 MR. KOTT: I don't have any further
19 questions, but the other attorneys probably do.

20 MR. HAYES: Would you like to take a
21 break?

22 THE WITNESS: Yes.

23 (Recess.)

24 (Luncheon recess.)

25

Calanni - cross

126

1 value on appraisals, no.

2 Q Any other persons at Walsh that you had
3 discussions with about your appraisals?

4 A No, other than the names I mentioned.

5 Q Other than that one occasion where you
6 went up and had the meeting with James Walsh, were
7 you ever in the Walsh offices?

8 A Not that I can recall.

9 Q Are you able to estimate at all,
10 Mr. Calanni, when the conversation or meeting with
11 James Walsh took place in relation to when the fraud
12 broke?

13 A Long before. It wasn't an issue with me
14 to remember, but I know it was -- you know, had no
15 significance to me at all to compare the two.

16 Q Were you ever asked by anyone at Walsh
17 to backdate any of your appraisals?

18 A To backdate my appraisals?

19 Q Yes, sir.

20 A Backdating meaning what?

21 Q Meaning indicating that the fair market
22 value was being determined as of some different date,
23 a prior date than when you actually performed your
24 review?

25 A Not that I can recall.

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1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF NEW JERSEY
3 CIVIL NO. 97-3496

4 WALSH SECURITIES, INC., : CONTINUED
5 Plaintiff, : DEPOSITION UPON
6 -vs- : ORAL EXAMINATION
7 CRISTO PROPERTY MANAGEMENT, : OF
8 LTD., et al., : RICHARD CALANNI
9 Defendants, : Volume 2
10 -and- :
11 COMMONWEALTH LAND TITLE :
12 INSURANCE COMPANY, :
13 Defendant/Third Party :
14 Plaintiff, :
15 -vs- :
16 ROBERT WALSH and :
17 ELIZABETH ANN DE MOLA, :
18 Third-Party :
19 Defendants. :

20
21
22
23
24
25

ORIGINAL

26
27
28 T R A N S C R I P T of the
29 stenographic notes of STANLEY B. RIZMAN, a Notary
30 Public and Certified Shorthand Reporter of the State
31 of New Jersey, Certificate No. XI00304, taken at
32 the offices of Boise, Schiller & Flexner, LLP,
33 150 John F. Kennedy Parkway, Short Hills, New
34 Jersey, on Monday, January 22, 2007, commencing at
35 10:23 a.m.

Rizman
Rappaport
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Certified Court Reporters

66 W. Mt. Pleasant Avenue
Livingston, NJ 07039
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163

1 Appearances:

2 BOIES, SCHILLER & FLEXNER, LLP
3 150 John F. Kennedy Parkway
3 Short Hills, New Jersey 07078
4 BY: ROBERT A. MAGNANINI, ESQ., and
4 AMY WALKER WAGNER, ESQ.

For the Plaintiff

5 MC CARTER & ENGLISH, LLP
6 Four Gateway Center
7 Newark, New Jersey 07102-0652
7 BY: DAVID R. KOTT, ESQ.
8 For Commonwealth Land Title Insurance Company

9 FOX, ROTHSCHILD, O'BRIEN & FRANKEL, ESQS.
10 2000 Market Street
10 Philadelphia, Pennsylvania 19103?
11 BY: ANTHONY ARGIROPOULOS, ESQ.
11 For Nations Title Insurance and
Fidelity National Title Insurance

12 METHFESSEL & WERBEL, ESQS.
13 Three Ethel Road
13 Suite 300
14 Edison, New Jersey 08818
14 BY: MARTIN R. MC GOWAN, ESQ.
14 For Coastal Title Agency.

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Calanni - direct

273

1 Why wouldn't the lender want to know
2 what the income was to determine whether or not the
3 investor could make the mortgage payments?

4 A They would have an idea or a
5 guesstimate or a market estimate of the income. But
6 do they want to use it? That's a question that the
7 lenders have to answer because I don't know.

8 From my knowledge, it doesn't make
9 sense to me. I could sit there and ask the same
10 questions you are. I don't know. To me it sounds
11 logical.

12 Q You said Jim Walsh asked you about
13 using the income method. How -- I don't know if you
14 can recall. How did he phrase his question? Was
15 it: Why don't you do use this or was he telling
16 you?

17 You just testified the plea made it
18 sound like he was telling you you have to use the
19 income method to come up with a greater value.

20 A No. That plea doesn't mention income.
21 That plea is just talking about values, you may
22 notice.

23 Q Right.

24 A That plea sounds as if Jim Walsh told
25 me to come up with a higher market valued and I did,

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Calanni - direct

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1 it sounds like. That is not what I did.

2 Jim Walsh waved this up and said, "Why
3 don't you use the income approach and come up with a
4 higher value?"

5 I said, "Why would I want to do that?

6 "Because I can hold the loans. Kellie,
7 All the rentals are being paid every month?"

8 Turning to the left pointing to Kellie. She shook
9 her head.

10 Veronica. She checked everything is
11 being paid.

12 "Bill, are you collecting all the
13 money?"

14 He's still waving this up in the air.

15 "Are the rents being paid?"

16 Bill just nodded and said "Yes. Why
17 don't you use the income? Everybody is telling you
18 we're getting the money."

19 I said, "Because it's not to be done in
20 the industry. That is why. I can't do it. The
21 banks don't want us to do it and the appraisal
22 industry says we can't. So I'm not."

23 That was it.

24 Q Did Jim Walsh mention what he did --
25 what his position was at Walsh Securities when he

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Exhibit U

WALSH SECURITIES, INC.

QUALITY CONTROL MEMORANDUM

DATE: January 31, 1997

FROM: Veronica R. Gonzalez-Lehman

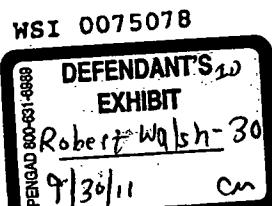
SUBJECT: Greenwich Capital Audit

This is to confirm that on the morning of January 29, 1997, I met with Mr. Donald Lawson, from Greenwich Capital regarding the audit of files selected for review.

In addition to the attached list, Mr. Lawson selected nine additional files originated by National Home Funding.

During my conversation, I informed Mr. Lawson that on all of the National Home Funding loans, we had requested documentation evidencing:

1. Amount of Rehabilitation to property in question;
2. Inside photographs;
3. Copy of Deeds following title, and circumstances of conveyance; and
4. Addendums to the appraisals noting rehabilitation of property and inside photographs showing work completed.



I further informed him that the files he was looking at were not yet fully documented, since these were additional requirements by Walsh and that future files would be so documented prior to closing.

I also pointed out that the escrow letters had been questioned by Quality Control and in fact most of the loans he was reviewing, actually contained revised letters from the closing attorney.

Veronica R Gonzalez-Lehman
Quality Control Department

cc:James Walsh
Peter Trebour

Exhibit V

In The Matter Of:
Walsh Securities v.
Cristo Property Management

Peter Trebour
September 24, 2011

Rizman Rappaport Dillon & Rose
66 W. Mt. Pleasant Ave.
Livingston, N.J. 07039
(973) 992-7650

COPY

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE DISTRICT OF NEW JERSEY
2 CIVIL NO. 97-3407 (DRD)

3 -----
4 WALSH SECURITIES, :
4 INC., :
5 Plaintiff, :
5 : DEPOSITION UPON
6 v. :
6 : ORAL EXAMINATION
7 CRISTO PROPERTY :
7 MANAGEMENT, LTD., :
8 et al, :
9 :
10 -----

11
12
13 T R A N S C R I P T of the stenographic
14 notes of HOWARD A. RAPPAPORT, a Notary Public and
15 Certified Shorthand Reporter of the State of
16 New Jersey, Certificate No. XI00416, taken at the
17 offices of STONE & MAGNANINI, 150 John F. Kennedy
18 Parkway, Short Hills, New Jersey, on Saturday,
19 September 24, 2011, commencing at 11:35 a.m.

20
21
22
23
24
25

1 A P P E A R A N C E S:

2 STONE & MAGNANINI
3 150 John F. Kennedy Parkway
Short Hills, New Jersey 07078
4 BY: AMY WALKER WAGNER, ESQ.,
For the Plaintiff

5 MC CARTER & ENGLISH, LLP
6 Four Gateway Center
100 Mulberry Street
7 Newark, New Jersey 07102-0652
BY: DAVID R. KOTT, ESQ.,
8 For Commonwealth Land Title Insurance Company

9 FOX, ROTHSCHILD, O'BRIEN & FRANKEL
10 997 Lenox Drive
Lawrenceville, New Jersey 08648
11 BY: EDWARD J. HAYES, ESQ.,
For Nations Title Insurance and
Fidelity National Title Insurance

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Trebour - direct

85

1 the loans?

2 A I don't know.

3 Q Questions about whether or not the
4 property had been rehabilitated?

5 A Based on number four, yes.

6 Q Requests about whether or not inside
7 photographs existed where you could see work done on
8 the property?

9 A Based on number two.

10 Q Questions on the extent of the
11 rehabilitation actually done to the property?

12 A Yes.

13 Q And questions regarding the manner in
14 which title was acquired in the property, correct?

15 A Yes.

16 Q All pertaining to National Home Funding
17 files?

18 A Based on this, yes.

19 Q And do you see that going forward, at
20 least according to the second page here, all of these
21 missing documents and all this missing information
22 was supposed to be dealt with in any future NHF
23 files?

24 A Based on that first paragraph, yes.

25 Q So you would have expected that in

Trebour - direct

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1 response to this memo certain care would have been
2 exercised before underwriting and funding any
3 National Home Funding loans going forward, wouldn't
4 you?

5 A If this had gone to the branch offices.

6 Q It went to Jim Walsh, didn't it?

7 A I don't know who it went to.

8 Q Who is the cc on it?

9 A Oh, yes.

10 Q So you would expect Jim Walsh to have
11 gotten this?

12 A Yes.

13 Q And you got it?

14 A Yes.

15 Q Did you do anything to insure that
16 National Home Funding was looked at a little
17 differently going forward?

18 A I don't recall.

19 Q Would you have expected someone to?

20 A Yes.

21 Q Would you have expected there to be some
22 change in the way in which National Home Funding
23 files were looked at?

24 A Yes.

25 Q Would you have expected more scrutiny to

Trebour - direct

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1 be given to National Home Funding originated loans
2 than other loans?

3 MS. WAGNER: Objection.

4 A Yes.

5 Q Would you have suspected there to be
6 some suspicion going forward as to whether or not
7 National Home Funding properties actually involved
8 legitimate and completed rehabilitation?

9 MS. WAGNER: Objection.

10 A Yes.

11 Q Would you expect after seeing something
12 like this to have five more months of loans that were
13 fraudulent where rehab work wasn't done and
14 documentation wasn't requested?

15 MS. WAGNER: Objection.

16 A Well, I don't know what was put in place
17 from January through the next five months.

18 Q In fact, NHF submitted similar
19 fraudulent loans for another five months that got --
20 I'm just telling you, in the case, I'm not asking you
21 to agree with me, but for five more months, same
22 packages came in, same boarded up properties, same
23 lack of documentation. They got approved and funded.

24 My question to you is, would you have
25 expected that to happen in light of this memo?

Trebour - direct

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1 MS. WAGNER: Objection.

2 A I don't know if it happened or not.

3 Q I'm saying assume for purposes of my
4 question that it did --

5 A Uh-huh.

6 Q Would that surprise you after reading
7 this memo?

8 A Yes.

9 MS. WAGNER: Objection.

10 Q Would that lead you to conclude that
11 Walsh ignored what was set forth in this memo?

12 MS. WAGNER: Objection.

13 A No opinion.

14 (Exhibit marked for identification
15 Trebour-7, Document entitled, "Underwriting
16 exceptions, first payment defaults, February 1997".)

17 (Exhibit handed to the witness.)

18 Q Mr. Trebour, I'm handing you a two-page
19 document marked Trebour-7, Bates 654309, 65310. Just
20 let me know when you have had a chance to look at it.

21 (Pause.)

22 A Okay.

23 Q Do you recall seeing any documents like
24 this when you were employed by Walsh?

25 A Not at this point.

Exhibit W

799674

Certificate No. _____ For _____ Shares Issued to _____
Dated _____ 19 _____ Receipt acknowledged _____

Transferred from _____ / 19
No. Original Certificates | No. Original Shares | No. Of Shares Transferred

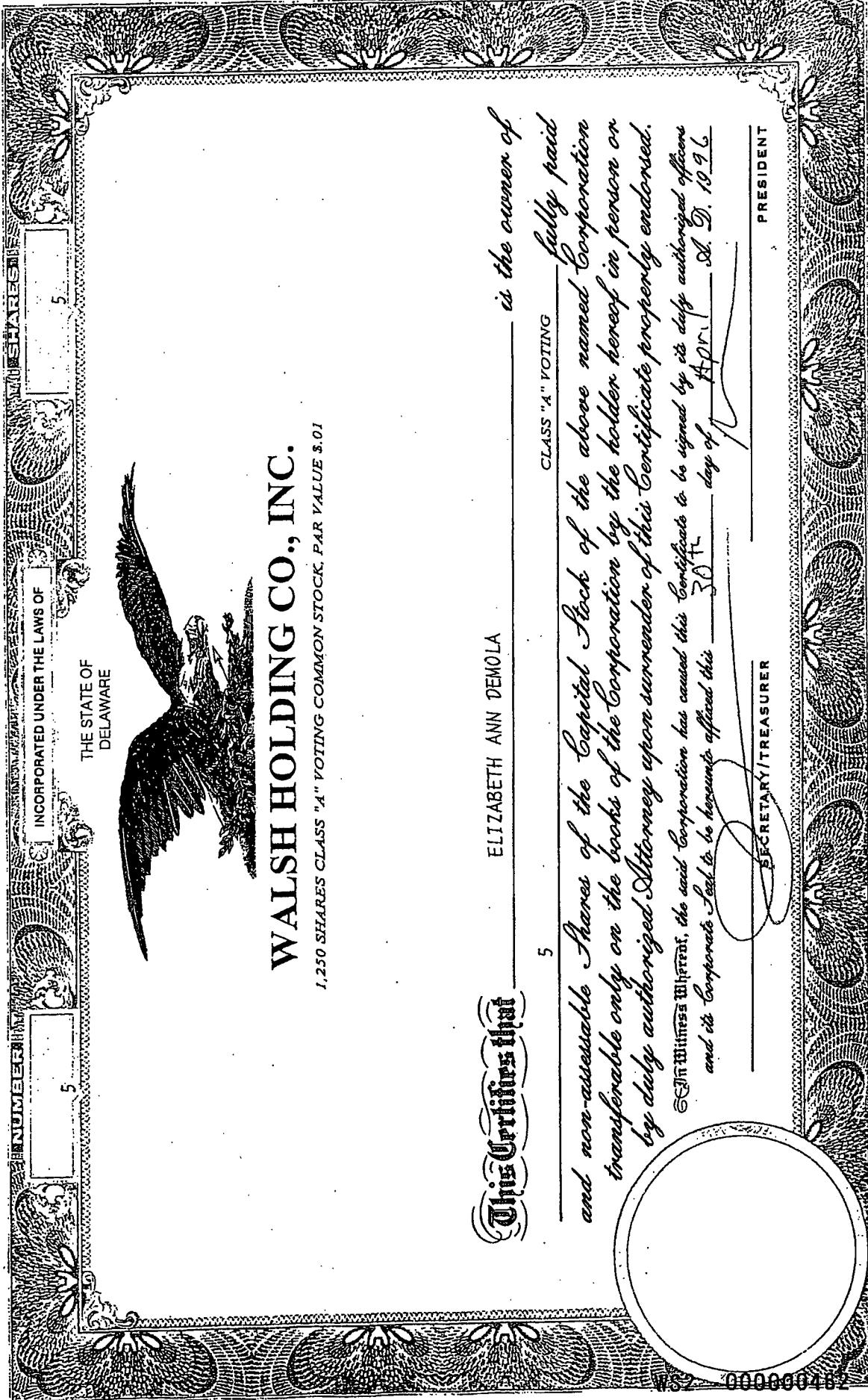


Exhibit X

Execution Copy

NONCOMPÉTÉ AND CONFIDENTIALITY AGREEMENT

THIS AGREEMENT (the "Agreement"), dated as of this 18th day of April, 1997, by and between RESOURCE BANCSHARES MORTGAGE GROUP, INC., a Delaware corporation ("RBMG"), and Elizabeth Ann Demola ("Ms. Demola"), an individual resident of the State of New Jersey.

RECITALS:

1. Ms. Demola is a shareholder and officer of Walsh Holding Co., Inc., a Delaware corporation ("WSI").

2. WSI has entered into the Agreement of Merger (the "Merger Agreement"), dated as of April 18, 1997, among RBMG, Newco, WSI and the principal stockholder of WSI, pursuant to which WSI will be merged (the "Merger") with Carolina Merger Sub, Inc. ("Newco"), a wholly-owned subsidiary of RBMG. As a result of the Merger, WSI will become a wholly-owned subsidiary of RBMG.

3. In connection with the Merger, Ms. Demola has entered into an employment agreement with WSI.

4. In connection with the Merger, RBMG will acquire the "Confidential Information" and "Trade Secrets" (both as defined below) of WSI and, to protect RBMG's substantial investment in the Confidential Information and Trade Secrets, and to protect the goodwill associated with WSI's customer relationships, Ms. Demola and RBMG (together, the "Parties") have agreed to abide by the terms and conditions of this Agreement.

In consideration of the premises and of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Definitions.** The following terms shall have the following meanings when used in this Agreement:

(a) "Company Activities" shall mean all activities of the type currently conducted, offered, or provided by WSI as well as all other activities of the type conducted, offered, or provided at any time by WSI during the period beginning at the "Effective Time" (as defined in the Merger Agreement) and ending as of the date as of which Ms. Demola is no longer an employee of WSI. For purposes of reference, such activities as of the date of this Agreement

include originating, purchasing, and selling high-yielding nonconforming mortgage loans secured by liens on one- to four-family residential properties.

(b) "Confidential Information" shall mean any data or information (whether written or not), of WSI, other than Trade Secrets, which is valuable to WSI and not generally known to competitors.

(c) "Noncompete Period" or "Nonsolicitation Period" shall mean, the period beginning at the Effective Time (as defined in the Merger Agreement) and continuing until the later of (i) the first anniversary of the date as of which Ms. Demola ceases to be an employee of WSI and (ii) the fifth anniversary of the date of this Agreement.

(d) The term "Territory" as used herein shall mean the United States of America, such area being where any customer or actively sought prospective customer of WSI is located.

(e) "Trade Secrets" shall mean information related to Company Activities, including, but not limited to, technical or nontechnical data, a formula, pattern, compilation, program, including, without limitation, computer software and related source codes, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, lists of actual or potential customers or suppliers, or other information similar to any of the foregoing, which derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can derive economic value from its disclosure or use.

2. Trade Secrets. Ms. Demola shall hold in confidence at all times after the date hereof all Trade Secrets, and shall not disclose, publish or make use of Trade Secrets at any time after the date hereof, without the prior written consent of RBMG. Nothing in this Agreement shall diminish the rights of WSI or RBMG regarding the protection of Trade Secrets and other intellectual property pursuant to applicable law.

3. Trade Name and Confidential Information. Ms. Demola hereby agrees that during the Noncompete Period:

(a) she shall not, directly or by assisting others, own, manage, operate, join, control or participate in the ownership, management, operation or control of any business conducted under any corporate or trade name of WSI or any name similar thereto without the prior written consent of RBMG; and

(b) she shall hold in confidence all Confidential Information and shall not disclose, publish or make use of Confidential Information without the prior written consent of RBMG.

WS2000002542

4. Non-Competition.

(a) Coverage. Ms. Demola hereby acknowledges that WSI conducts Company Activities throughout the Territory. Ms. Demola acknowledges that to protect adequately the interest of RBMG in the business of WSI, it is essential that any noncompete covenant with respect thereto cover all Company Activities and the entire Territory.

(b) Covenant. Ms. Demola hereby agrees that she shall not, during the Noncompete Period, in any manner (other than as an employee of or a consultant to WSI or any affiliate of WSI), directly or by assisting others, engage in, have an equity or profit interest in, or render services (of an executive, marketing, research and development, administrative, financial or consulting nature) to any business that conducts any of the Company Activities in the Territory.

Notwithstanding anything contained herein to the contrary, Ms. Demola shall not be prohibited from owning, directly or indirectly, up to 5% of the outstanding equity interest of any company the stock of which is publicly traded on a national securities exchange or in the over-the-counter market.

5. Nonsolicitation of Employees and Customers. Ms. Demola hereby agrees that she shall not, during the Nonsolicitation Period, in any manner (other than as an employee of or a consultant to WSI or any affiliate of WSI), directly or by assisting others:

(a) solicit or attempt to solicit, any business from any customers or correspondents of WSI or others having business dealings with WSI, including actively sought prospective customers and correspondents, for purposes of providing products or services that are competitive with the Company Activities; or

(b) recruit or hire away or attempt to recruit or hire away, on her behalf or on behalf of any other person, firm or corporation, any employee of WSI.

6. Acknowledgment. Ms. Demola and RBMG acknowledge and agree that the covenants set forth in Sections 2, 3, 4 and 5 are reasonable as to time, scope and territory given RBMG's need to protect its Trade Secrets, its Confidential Information and its substantial investment in WSI's customer base, particularly given (a) the complexity and competitive nature of WSI's business and (b) that Ms. Demola has sufficient skills to find alternative, commensurate employment or consulting work in her field of expertise that would not violate Sections 2, 3, 4 or 5.

7. Injunctive Relief. Ms. Demola hereby agrees that any remedy at law for any breach of the provisions contained in this Agreement shall be inadequate and that RBMG shall be entitled to injunctive relief in addition to any other remedy RBMG might have under this Agreement.

8. Indemnification. Ms. Demola hereby agrees to indemnify and defend RBMG and to hold RBMG wholly harmless from and against any and all losses, liabilities, damages, deficiencies, costs (including, without limitation, court costs), and expenses (including, without limitation, attorneys' fees) incurred by RBMG or WSI and arising out of or due to any breach of any covenant or agreement of Ms. Demola contained in this Agreement.

9. Miscellaneous Provisions.

(a) Entire Agreement. This Agreement constitutes the sole understanding of the Parties with respect to the subject matter hereof; provided, however, that this provision is not intended to abrogate any other written agreement between or among the Parties executed with or after this Agreement or any written agreement pertaining to another subject matter. No amendment of this Agreement shall be binding unless made in writing and duly executed by the Parties.

(b) Parties Bound by Agreement. The terms, conditions and obligations of this Agreement shall inure to the benefit of and be binding upon Ms. Demola and her heirs and representatives and RBMG and its successors and assigns. Without the prior written consent of RBMG, Ms. Demola shall not assign her rights, duties or obligations hereunder or any part thereof to any other person or entity.

(c) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument.

(d) Number; Gender. Whenever the context so requires, the singular number shall include the plural and the plural shall include the singular, and the gender of any pronoun shall include the other genders.

(e) Headings. The headings of the Sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

(f) Modification and Waiver. Any of the terms or conditions of this Agreement may be waived in writing at any time by the Party which is entitled to the benefits thereof. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof.

(g) Severability. If a judicial or arbitral determination is made that any of the provisions of this Agreement constitutes an unreasonable or otherwise unenforceable restriction against Ms. Demola, the provisions of this Agreement shall be rendered void only to the extent that such judicial or arbitral determination finds such provisions to be unreasonable or otherwise unenforceable with respect to Ms. Demola. In this regard, Ms.

Demola and RBMG hereby agree that any judicial or arbitral authority construing this Agreement shall be empowered to sever any portion of the Territory, any prohibited business activity or any time period from the coverage of this Agreement and to apply the provisions of this Agreement to the remaining portion of the Territory, the remaining business activities and the remaining time period not so severed by such judicial or arbitral authority. Moreover, notwithstanding the fact that any provision of this Agreement is determined not to be specifically enforceable, RBMG shall nevertheless be entitled to recover monetary damages as a result of the breach of such provision by Ms. Demola. The time period during which the prohibitions set forth in this Agreement shall apply shall be tolled and suspended for a period equal to the aggregate quantity of time during which Ms. Demola violates such prohibitions in any respect.

(h) Jurisdiction and Venue. In the event that any Party commences a lawsuit or other proceeding relating to or arising from this Agreement, the Parties agree that the United States District Court of the Southern District of New York shall have the sole and exclusive jurisdiction over any such proceeding. If such court lacks federal subject matter jurisdiction, the Parties agree that the New York state courts shall have sole and exclusive jurisdiction. Any of these courts shall be proper venue for any such lawsuit or judicial proceeding and the Parties waive any objection to such venue. The Parties consent to and agree to submit to the jurisdiction of any of the courts specified herein and agree to accept service of process to vest personal jurisdiction over them in any of these courts.

(i) Notices. Any notice or other document to be given hereunder by any Party to any other Party shall be in writing and delivered by courier or by telecopy transmission (provided that any notice sent by telecopy transmission must also be sent by an express mail service or courier service, postage or fees prepaid, within two (2) days of such transmission by telecopy) or sent by any express mail service, postage or fees prepaid,

If to Ms. Demola to:

Walsh Holding Co., Inc.
4 Campus Drive
Parsippany, New Jersey 07054
Attention: Elizabeth Ann Demola
Telecopier: (201) 538-0574

with a copy to:

St. John & Wayne, L.L.C.
Two Penn Plaza East
Newark, New Jersey 07105
Attention: John J. Oberdorf, Esq.
Telecopier: (201) 491-3402

If to RBMG to:

Resource Bancshares Mortgage Group, Inc.
7909 Parklane Road
Columbia, South Carolina 29223
Attention: David W. Johnson, Jr.
Telecopier: (803) 741-3708

or at such other address or number for a Party as shall be specified by like notice. Any notice which is delivered in the manner provided herein shall be deemed to have been duly given to the Party to whom it is directed upon actual receipt by such Party or its agent.

(j) Construction. This Agreement shall be construed in accordance with and governed by the laws of the State of New York. No provision of this Agreement shall be construed against or interpreted to the disadvantage of any Party by any court or other governmental or judicial authority or by any board of arbitrators by reason of such Party or its counsel having or being deemed to have structured or drafted such provision. All references in this Agreement to Section(s) shall refer to the Section(s) of this Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed, as of the date first above written.

RESOURCE BANCSHARES MORTGAGE GROUP, INC.

By: Edward J. Sebastian

Name: Edward J. Sebastian

Title: Chairman of the Board & Chief Executive Officer

Executed before me this _____
day of _____ 1997.

Notary Public

My commission expires:

E A DeSola
Elizabeth Ann DeSola

Executed before me this 10th
day of April 1997.

John J. Oberdorf
Notary Public
Attorney - At-Law
of New Jersey
My commission expires:

Exhibit Y

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----x
CITYSCAPE CORP.,

Plaintiff, 98 Civ. 0223
(SHS)

-against-

WALSH SECURITIES, INC., (formerly known as
GF MORTGAGE CORP.),

Defendant.

-----x
DEPOSITION of the Defendant, WALSH
SECURITIES, INC., by ROBERT WALSH, taken by the
Plaintiff, pursuant to Notice, held at the
offices of Gibson, Dunn & Crutcher, Esqs., 200
Park Avenue, New York, New York, on March 24,
1999, at 10:10 a.m., before a Notary Public of
the State of New York.

BARRISTER REPORTING SERVICE, INC.

120 Broadway
New York, N.Y. 10271
212-732-8066

2

1

2 A P P E A R A N C E S :

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4

5 GIBSON, DUNN & CRUTCHER, ESQS.

6 Attorneys for Plaintiff

7 200 Park Avenue

8 New York, New York 10166

9

10 BY: JEFFREY STROCHLIC, ESQ.

11 -and-

12 LAURIE MC LAUGHLIN, ESQ.

13

14

15

16

17 ST. JOHN & WAYNE, LLC

18 Attorneys for Defendant

19 70 East 55th Street

20 New York, New York 10022

21

22 BY: DAVID W. PHILLIPS, ESQ.

23

24 xxxxx

25

1

2 . . . S T I P U L A T I O N S

3

4 IT IS HEREBY STIPULATED AND AGREED by
5 and between the attorneys for the respective
6 parties herein, that filing, sealing and
7 certification, be and the same are, hereby
8 waived.

9

10 IT IS FURTHER STIPULATED AND AGREED
11 that all objections except as to the form of
12 the question, shall be reserved to the time
13 of the trial.

14

IT IS FURTHER STIPULATED AND AGREED
that the within deposition may be signed and
sworn to by an officer authorized to
administer an oath, with the same force and
effect as if signed and sworn to before the
Court.

21

22

23

24

25

1 Walsh

2 A. I am the largest shareholder of Walsh.
3 I own approximately 75 percent of the
4 company.

5 Q. Who owns the other 25 percent?

6 A. Betty Ann Demola, my sister, owns five
7 percent. Jim Walsh, my brother, owns five
8 percent. And then there are a lot of smaller
9 fractions

10 Q. Can you remember who those people are,
11 or entities?

12 A. There are about 15 people. We can get
13 you names.

14 Q. What can you remember as you sit here
15 today?

16 A. Employees of the company, Art Gilgar,
17 Arnold Cohn, Fred Schlesinger, Paul LaRosa,
18 Dan Glasky.

19 Q. How do you spell that?

20 A. G-L-A-S-K-Y, something along those
21 lines. And those are the ones that stick out
22 in my mind.

23 Q. From the time Walsh was formed to the
24 present, have the percentages of stock
25 ownership changed?

Exhibit Z

A. D'APOLITO

Page 1

1 UNITED STATES DISTRICT COURT
2 DISTRICT OF NEW JERSEY
CIVIL ACTION NO. 97-cv-3496 (DRD) (MAS)

4 WALSH SECURITIES, INC., : DEPOSITION OF:
5 Plaintiff, :
6 : ANTHONY J. D'APOLITO
7 Vs. :
8 CRISTO PROPERTY :
9 MANAGEMENT, LTD., a/k/a :
0 GJL LIMITED, OAKWOOD :
1 PROPERTIES, INC.; NATIONAL :
2 HOME FUNDING, INC., :
3 CAPITAL ASSETS PROPERTY :
4 MANAGEMENT, L.L.C., :
5 WILLIAM KANE; GARY :
6 GRIESER; ROBERT :
7 SKOWRENSKI, II; RICHARD :
8 CALANNI; RICHARD :

17 TRANSCRIPT of the deposition of the Witness,
18 called for Oral Examination in the above-captioned
19 matter, said deposition being taken pursuant to
20 Superior Court Rules of Practice and Procedure by
21 and before JAMES A. KORWAN, Certified Shorthand
22 Reporter, (License No. 1800), and Notary Public of
23 the State of New Jersey, at the offices of
24 MANNING, CALIENDO & THOMSON, 36 West Main Street,
25 Freehold, New Jersey 07728, on Friday, September
26 17, 2010, commencing at approximately 10:11 a.m.

A. D'APOLITO

Page 2

1 DIBENEDETTO; JAMES R. :
2 BROWN; THOMAS BRODO; :
3 ROLAND PIERSON; STANLEY :
YACKER, ESQ.; MICHAEL :
4 ALFIERI, ESQ.; RICHARD :
PEPSNY, ESQ.; ANTHONY M. :
CICALESE, ESQ.; LAWRENCE :
5 CUZZI; ANTHONY D'APOLITO; :
DAP CONSULTING, INC.; :
COMMONWEALTH LAND TITLE :
6 INSURANCE CO.; NATIONS :
TITLE INSURANCE OF NEW :
7 YORK, INC.; FIDELITY :
NATIONAL TITLE INSURANCE :
8 CO. OF NEW YORK; COASTAL :
TITLE AGENCY; DONNA :
9 PEPSNY; WEICHERT REALTORS; :
And VECCHIO REALTY, INC., :
10 D/B/A MURPHY REALTY BETTER :
HOMES and GARDENS, :
11 :
12 Defendants. :
- - - - -

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A. D'APOLITO

Page 3

1 A P P E A R A N C E S :

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STONE MAGNANINI
150 John F. Kennedy Parkway
Short Hills, New Jersey 07078
BY: ROBERT A. MAGNANINI, ESQ.
Attorneys for the Plaintiffs

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FOX ROTHSCHILD
2000 Market Street
20th Floor
Philadelphia, Pennsylvania 19103-3222
BY: EDWARD J. HAYES, ESQ.
Attorneys for the Defendants, Nations
Title Insurance of New York, Inc., and
Fidelity National Title Insurance
Company of New York

METHFESSEL & WERBEL
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Edison, New Jersey 08818
BY: MARTIN R. McGOWAN, JR., ESQ.
Attorneys for the Defendant,
Coastal Title Agency

McCARTER & ENGLISH
Four Gateway Center
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Newark, New Jersey 07102-4056
BY: DAVID R. KOTT, ESQ.
Attorneys for the Defendant,
Commonwealth Land Title Insurance
Company

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Page 4

1 A P P E A R A N C E S : (Continued)

2

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5 A L S O P R E S E N T :

6

7 RICHARD CALANNI, PRO SE

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1 believe it was towards the end when Gary -- they
2 didn't want to close as many loans, so Gary was
3 threatening to not make the payments on the
4 mortgages, because Gary's responsibility, the
5 management company, was to make payments on all of
6 the mortgages.

7 Q. On the mortgages. Where did Mr. Grieser get
8 money to make the payments for the mortgage
9 payments?

10 A. From every loan he did. So if they didn't
11 make loans, he wasn't going to have money to pay.

12 Q. So after each closing they would use the
13 mortgage money to pay other mortgages off?

14 A. (Witness nodding head.)

15 Q. And then my -- what happened to the rest of
16 the money? They sent it?

17 A. I have no idea where it is. For all I know,
18 it is in an off-shore account. They never fix up
19 those houses. I told Betty Ann all of that. I
20 said, this is ridiculous. In the beginning they
21 used to do the right thing, do the repairs and fix
22 the house and rent it out. Then they got greedy.
23 They'd have a guy that is dead now that used to do
24 the work that I met in jail. His name is John
25 Kasair (ph) from Staten Island that was friends

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1 with Billy Kane. They did the front, front of the
2 house, and the appraisers took pictures of the
3 inside and outside. Betty Ann waived in the
4 guidelines that you didn't have to have interior
5 photos. Betty Ann, I said, what are you doing?
6 She told me to shut up. That's why I figured I
7 wouldn't get in trouble.

8 MR. KOTT: Can you read that back?

9 (Whereupon, the Court Reporter read back
10 the record as requested.)

11 MR. KOTT: Mr. D'Apolito, the reason I
12 asked the court reporter to read it back, when I
13 have a chance to ask you questions, I will.

14 Q. Do you know if John Kasair was related to
15 Nicholas Kasair?

16 A. No. I don't even know who Nicholas Kasair
17 is.

18 Q. Other than meeting him in prison, you never
19 met him before?

20 A. I met him once, and I kind of, like -- when
21 I came -- when I first got arrested and then they
22 put me into prison, they told me, you know, I was
23 going to a hospital because of my diabetes. They
24 sent me to a maximum penitentiary. So there was
25 guys like John Gambino, all of these, like, big

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1 check would come the following month.

2 Q. Okay. And so what percentage of the loans
3 that you brought in were National Home Funding
4 loans?

5 A. 10 percent. It wasn't a lot.. That's only
6 one vendor out of them all.

7 Q. And from what I've seen, at least, not all
8 of the loans from National Home Funding were Bill
9 Kane loans?

10 A. No. That was just an agreement he made with
11 Rob and he paid Rob a lot of money. Rob,
12 probably, made over a million dollars to do his
13 loans.

14 Q. And that's Robert Skowrenski?

15 A. Yes.

16 Q. How did that relationship get started?

17 A. Through me. I met Billy. Actually, I met
18 Billy when I was in Selective Finance, because
19 they were one of my accounts. And Billy was Rick
20 Pepsny and Michael Alfieri's client.

21 Q. At Selective?

22 A. Right.

23 Q. And then you introduced Mr. Kane?

24 A. I was closer friends -- I was engaged to get
25 married. Rob Skowrenski was going to be my best

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A. D'APOLITO

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1 A. They just said they were going to close
2 loans again.

3 MR. McGOWAN: Said what? I'm sorry.

4 A. We're going to close loans again.

5 Q. And, then, did you speak to Mr. Walsh after
6 the meeting?

7 A. No.

8 Q. Okay. How about Mr. Gilgar?

9 A. No.

10 Q. Okay. You said Ms. DiMola would give
11 exceptions to loans or waive conditions. I'm not
12 sure which term you used. Could Mr. DelRosso do
13 that, as well?

14 A. Yes.

15 Q. What if there was a disagreement between Ms.
16 DiMola, as a sales manager wanting to close a
17 loan, and Mr. DelRosso as an underwriter,
18 underwriting a loan; how did those disagreements
19 get resolved?

20 A. Almost ten times out of ten Betty Ann would
21 win.

22 Q. How did she win?

23 A. She would get her way.

24 Q. What was the process of that, though?

25 A. They would go behind closed doors, do

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1 Q. Why would the loan get turned down?

2 A. Because they couldn't meet the guidelines of
3 what they set. Once the loan goes to processing
4 -- and that was Kelly O'Neill's job to put all the
5 paperwork in and get it in order. She would turn
6 it and just give it right over to the cubicle to
7 the underwriter. Then the underwriter would go
8 through it, check all of the, all of the
9 information. And she would say that that debt
10 ratio is 35 or, say, 40 percent debt ratio,
11 debt-to-income ratio. And the guidelines said it
12 had to be 38. So it's up to her, if she wants to
13 make an exception. Something that minute she may
14 not have the authority, but Betty Ann and Paul
15 could do that.

16 But if they were at 45, 50 percent debt
17 ratio after the income docs came in, they just
18 can't afford the loan. Then they would turn it
19 down, and then the loan doesn't happen, unless
20 they can go out. Then they would send out
21 conditions saying, is there a cosigner? Is there
22 another job? Is there income that we don't know
23 about? They would go back and ask that. And if
24 there was, then, fine. If it was a part-time job
25 that was only like a month or two months, they

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1 probably wouldn't count it. But if it was at
2 least six months to a year, they've been on it,
3 you know, they would take it. Even if it is a
4 letter from the employer, because they pay them
5 cash. They would take that and then make the
6 exception. But if they didn't want to accept,
7 that's where Betty Ann and Paul may get into an
8 argument.

9 Here is a letter. She's been here taking
10 care of this woman's kid for \$500 a month every
11 month for the last four years. And, you know,
12 Paul would go, but we can't approve that kind of
13 income. Maybe she would bring Jimmy in and she
14 would get it, and they would either approve it or
15 deny it.

16 Q. She was the sales manager?

17 A. She was -- the national sales manager was
18 her title.

19 Q. So she wanted to close every loan she can?

20 A. She wants -- every loan that comes in she
21 wants closed. She was paid based on that.

22 Q. And Mr. Delrosso?

23 A. He was on a salary. He was the underwriter.
24 He is, basically, the, you know, the security
25 guard, you know, of all of the loans. He --

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A. D'APOLITO

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1 because if, if they -- if he signed off on a loan
2 and it was never, ever bought, it is his ass.
3 They would come down on him.

4 Q. Right.

5 A. This didn't meet any guidelines. Why did
6 you approve it?

7 Q. Okay.

8 A. And, then, he wouldn't say Betty Ann made
9 me.

10 Q. Right.

11 A. You know what I mean? You know? No. Well,
12 Betty Ann gave me a -- you know what I mean -- off
13 the record. It's like you wouldn't do that.

14 Q. Okay.

15 A. But she would -- I mean, seeing her beg.
16 She would be in there going, please, Paul, please.
17 She needed every loan closed for her commission.

18 Q. Jumping back, the one question I didn't ask.
19 When you were at the closing with Mr. Cicalese and
20 you notarized the thing, were there any buyers
21 present?

22 A. Yes. They signed. That's why I did it.
23 They were actually there and signed. I witnessed
24 their signatures. I don't remember who they were.

25 Q. Okay. And, then, were you at any other

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1 were missing. Billy would fax them up. A lot of
2 times Billy came up, himself, and delivered
3 them --

4 Q. Uh-huh.

5 A. -- right to Kelly's desk.

6 Q. Do you know if Kelly ever prepared documents
7 herself?

8 A. Yes, she did.

9 Q. To, to -- I wouldn't say, to complete the
10 record, but to fill in gaps in the loan files?

11 A. Uh-huh.

12 Q. Did you ever do that?

13 A. I was with her one time when we were looking
14 for lenders for the leases, and she was filling
15 out the leases. And I was in the phone book
16 pulling out names.

17 Q. Other than that time, did you ever fill out
18 a document that was needed for a loan?

19 A. No, I didn't.

20 Q. Okay. How do you know Kelly did?

21 A. I was by her desk. I saw her writing
22 something up.

23 Q. Do you remember what it was?

24 A. No. I can tell you that Billy had Kelly
25 under her payroll. Billy's payroll?

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1 A. No. We would never have any dealings with
2 them, at all.

3 Q. Okay. You wouldn't?

4 A. Yes. Us as reps.

5 Q. Do you recall ever talking to a man named
6 Donald Larson, Lawson?

7 A. No.

8 Q. I just called him Larson. We had this
9 debate.

10 A. No.

11 Q. Okay. So you don't remember ever being
12 asked any questions about the DNFH Properties?

13 A. I don't remember.

14 Q. Do you know if Mr. Lawson or Larson had an
15 office in Walsh Securities?

16 A. Not that I know of. I don't remember the
17 guy, at all.

18 MR. MAGNANINI: Off the record.

19 (Discussion off the record.)

20 Q. You had testified last time, Mr. D'Apolito,
21 about a conversation Betty Ann had, supposedly,
22 telling you to tell either Kane or Mr. Grieser to
23 put blinds on --

24 A. Oh, yeah.

25 Q. -- on buildings?

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1 A. And put fake mail in the mailbox.

2 Q. That's now a new one. Let me go back.

3 A. Make the house look livable, because
4 somebody was going to go there from, I guess it
5 was Greenwich or somewhere to go look at the
6 properties to see if the properties were
7 habitable.

8 Q. And when was this conversation?

9 A. Sometime in '97.

10 Q. Do you remember if it was cold or was it
11 spring or --

12 A. No. I don't remember. I would be lying if I
13 told you.

14 Q. So how did Betty Ann know somebody from
15 Greenwich was going to look at the properties?

16 A. I don't know if they came in and told her in
17 a meeting or if they called her on the phone. But
18 she came right to me and told me I had to get
19 Billy on the phone and tell him that.

20 Q. And she said, make the properties look
21 livable?

22 A. Like somebody lives there.

23 Q. Did she say anything else?

24 A. She just said somebody was going by to make
25 sure they were habitable properties.

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1 basically, they, they worked every day, like, as a
2 loan rep for a mortgage company, where they would
3 be working the phones, working lists that they had
4 of all loans, whatever. Trying to re-fi them.
5 That's what their job was. They were there every
6 day. As far as us, we were on the road. We were
7 never there. Sal, myself and I don't know. Even
8 remember her two nephews' names. And then their
9 son worked there, but I don't know what his
10 capacity was, besides just collecting a paycheck.

11 Q. So, all right. You were not in the meeting
12 with Calanni?

13 A. No. I wasn't there.

14 Q. Okay. All right. How did Betty Ann benefit
15 from the Kane loans?

16 A. She got paid commission on all of the loans
17 that closed. She had a high salary plus a
18 commission on every loan. And that's what I said.
19 I mean, if anybody else got paid -- you may want
20 to ask if Billy paid her, if anybody asked that
21 question. It could only benefit Bill.

22 Q. When you started taking payments from
23 Mr. Kane, did you know the loans were frauds?

24 A. No. In the beginning, no. But, then, when
25 they were, I brought it to Betty Ann's attention,

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1 Q. Do you recall what that was?

2 A. Now, that you say it, I remember.

3 Q. And they were the company that was going to
4 buy Walsh Securities?

5 A. Right. And --

6 Q. And so the press release was in April of
7 '97, say, RBMG?

8 A. (Witness nodding head.)

9 Q. Is that when you said you were going to get
10 stock options?

11 A. Uh-huh.

12 Q. Who told you that?

13 A. Betty Ann.

14 Q. Okay. Did you ever sign anything or --

15 A. I don't remember if I did or not. I don't
16 think I did.

17 Q. Okay. So about that time did you tell Betty
18 Ann that you were concerned with problems with the
19 loans?

20 A. (Witness nodding head.)

21 Q. What did you tell her, specifically? Did
22 you tell her there were straw buyers involved?

23 A. I told her everything. I told her that
24 there was straw buyers. I said, none of these
25 houses are habitable. They're not fixing them up.

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1 That was my main concern. Straw buyers weren't
2 really my main concern. If the houses were fixed
3 up, they were going to rent them. So who cares.

4 You can buy a property and still deed my 60
5 percent. There's nothing really wrong with this.
6 But there is something wrong with it when you do
7 that and I don't fix the property and lease it
8 out. I mean, if I want to buy a piece of property
9 and give Mr. Calanni 60 percent to manage that
10 property and take care of it, that's on me. But
11 we're collecting rent. So 40 percent is my
12 credit, but we're making sure out of that 60
13 percent he's making the payments, he's renting it
14 out, he's taking care of the property. Whenever
15 there is damage to it, he is taking care of it.
16 To me, that is not really a straw buyer. They
17 made up that word, but they came out. So that
18 wasn't my concern.

19 My concern was, the houses were all pieces
20 of shit. You wouldn't put your worst enemy in.
21 Some of them were gutted.

22 Q. One of the things -- and my question is --
23 did you ever tell Betty Ann that the properties
24 were not in that bad shape or that they were being
25 bought for \$10,000 and sold for \$200,000?

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1 kept on going up. So if -- I mean, if they were
2 doing five loans a week, it could go to ten loans,
3 and then the next time it would go to 20. You
4 know? Just keep on pumping them in. They
5 wouldn't all close, you know? And your numbers
6 are based on closed loans, not on volume. That's
7 in your pipeline.

8 Q. And every loan that did close, Ms. DiMola
9 made a few more bucks?

10 A. Without a doubt.

11 Q. And Ms. DiMola would have made those few
12 bucks at the time the loan closed, correct?

13 A. Exactly.

14 Q. As far as you understood her financial
15 arrangement with the company, she didn't have any
16 responsibility for whether those loans ultimately
17 performed?

18 A. No.

19 Q. You never heard her complaining about her
20 being charged back any of her commissions because
21 loans had defaulted?

22 A. I never heard her say it.

23 Q. And was it your understanding,
24 Mr. D'Apolito, that --

25 A. I'm not married to her.

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1 Q. So from Ms. DiMola's standpoint, as long as
2 loans kept getting funded --

3 A. And performing.

4 Q. -- and the group had money to continue to
5 make the monthly payments, there was not a lot of
6 risk on the down side on these loans. Is that
7 your understanding?

8 MR. MAGNANINI: Objection to form. You
9 can answer.

10 MR. HAYES: You can answer.

11 A. Yes. That's my understanding.

12 Q. So Ms. DiMola would have every reason to be
13 sure that loans continued to get approved not only
14 because she would make money, but because it
15 created an income flow for loans to be repaid?

16 MR. MAGNANINI: Objection to form. You
17 can answer it.

18 A. Yes. That's what I believe.

19 Q. Now, Ms. DiMola had testified that at some
20 point in time she was in the office and heard
21 about potential problems with these properties.
22 And she ran in and had a couple of people run out
23 with cameras, and they went out and took some
24 pictures of these properties which showed, of
25 course, that these properties were just as you had

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